### F B I S R E P O R T



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# CENTRAL EURASIA

## FBIS Report: Central Eurasia

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### Moscow Meeting Participants Discuss Creation of CIS Bank

944E0507A Moscow MOSCOW NEWS in English No 6, 11-17 Feb 94 p 7

[Article by Stanislav Yevgenyev: "The Establishment of Interstate Bank Marks the First Step Toward an Economic Union"; first paragraph is introductory paragraph]

[Text] Bankers from national banks of the CIS countries met in Moscow to discuss the future structure of a financial community.

The Central Bank of Russia held a three-day seminar with the participation of the International Monetary Fund and the European Political Research Centre in order to organize an interstate bank.

The interstate bank is meant to be a supranational structure for effecting settlements between the CIS countries for state deliveries. In the course of discussions the participants which included representatives of central banks of the Commonwealth countries became distinctly aware that the interstate bank will either never get off the ground or will require participant countries to reform their financial systems.

The decision on the formation of the interstate bank with its headquarters in Moscow was discussed for several years and was made last autumn. All members of the future bank agreed that its main function would be to deal with interstate trade. The present system of state payments between the CIS countries does not suit most of them since sums for exported goods are entered to accounts of enterprises of the CIS countries in Russian commercial banks. (The exporters of the "near abroad" countries regard the ruble as a relatively hard currency.) Bankers believe that the flight from national currencies to the rouble does not help stabilize other soft currencies, encourages the leakage of capital and causes the shortfall in taxes. State agencies are interested therefore in changing the order of interstate settlements.

Ironically, the seminar was prepared by specialists of the International Monetary Fund and conducted by the Central Bank of Russia. The interstate bank still has no office, equipment and staff. (It is true that it has received a contribution from Russia of 2.5 billion roubles, which is half of the total. The contributions of other participants vary depending on their share in interstate trade.) But this arrangement is quite justified since the choice of the bank's model will determine the methods of solving several problems of principle which are not directly connected with its activity. For example, the experts of the International Monetary Fund discovered on the very first day of the seminar that, although the colleagues from the CIS countries showed interest in the subject, they were on the whole sceptical. It became clear from subsequent talks that their doubts stemmed not from the bank's model but from the conditions in which it will have to be implemented. The interstate bank can be considered stillborn if a single

settlement mechanism is applied to countries with different currency, monetary and licence rules. The participants in the meeting became distinctly aware of the necessity of the unification of several conditions, which is, alas, beyond their competence.

Russia, which has a positive trade balance, can painlessly change over to a new system of interstate settlements. The situation of Turkmenistan is also quite satisfactory. The other states have debts to repay for which they will need credits. Sources of credit are needed and debts must be formalized. Specialists from national banks admit that countries find it difficult today to separate the debts of states from those of individuals. Thus most countries will be in a quandary because of the changeover to the new system which does not allow arbitrary crediting. When the debt exceeds the established limit the account of the participant country in the interstate bank can be blocked, which means that payments will be frozen and trade will stop. The debtor state will then have to sell part of its hard currency reserves in order to cover the debt balance. The changeover to a system of settlements through the interstate bank will also mean for most CIS countries the automatic introduction of compulsory 100 per cent sale of proceeds in hard currency since clearing settlements between countries will be done in roubles and with the final clients in their own national currency. (It may be noted for comparison that Kazakhstan has until recently practised 30 per cent compulsory sale of hard currency. The exporter kept 70 per cent of the total, which was often kept abroad.) The deportation of exporters' money home. espec'ally in national currency, can hardly be welcomed by

The establishment of the interstate bank should, according to the intention of the contracting countries of the former USSR conclude the first stage of a new economic union. During the second stage they plan to form a payments union for countries which cannot satisfy the current conditions to enter the interstate bank. Settlements between the participants in the payments union will be also effected in roubles which will be considered the reserve currency.

The uncoordinated market rules in the various former union republics make it difficult to establish a payments system similar to the European one. It is entirely unclear now, at the first stage what goods will be entered in the list of state deliveries, whether they will be licensed, whether the system of settlements through correspondent accounts in commercial banks, practised until now, will be preserved, and how rates of exchange will be coordinated. The European payments system presupposes, for instance, a mechanism to regulate exchange rates (introduction of a fixed rate of exchange) with a permissible deviation of plus-minus one. But in order to introduce such a system all states participating in the union should possess adequate currency reserves for supporting the fixed rate of exchange by means of currency interventions in the market. Most CIS countries have insufficient reserves of hard currency. If the rate of exchange is established freely, through a currency exchange or an auction, it should cover all deals concluded in the country and not be divided into official

and black-market rates. It should not be forgotten, above all, that the elaboration of a currency policy is a state matter and that banks are totally powerless to change the rules of the game.

In any case the establishment of an interstate bank would shorten the time required for payments and their guarantee.

At the same time the interstate bank will not work if the rules of the game in the countries participating in the union remain uncoordinated. Since suppliers find it better to live "under the old regime" it will evidently be necessary to introduce bureaucratic checks as well.

#### Academicians' Concern Over Land Degradation, Desertification

#### Uzbekistan Institute Head Discusses Central Asian Case

944K0731A Moscow SELSKAYA ZHIZN in Russian 1 Feb 94 p 2

[Article by Doctor of Agricultural Sciences Dzhurakul Sattarov, director, Institute of Soil Science and Agrochemistry, corresponding member of the Uzbekistan Academy of Sciences: "The Tired Land: Scientists Sound the Alarm"]

[Text] These are difficult, anxious times we're living through, as you know. A time of political disputes, internecine warfare, economic discord, a time in which practically every republic has shut itself off into its own compartment, introduced its own currency, and is experiencing mountains of unaddressed economic and social problems. When will we learn to understand and be sensitive to one another? But the main question troubling me as a scientist and a person in this whirlpool of contradictions is this: What is going to happen to our life-giving land?

To be honest, even when we were still living as "one family" we didn't tend it very zealously. But now the situation has worsened, and all science, and especially agrarian science, has been given a very low priority. This can be said not only of the republics of Central Asia but also of Russia and Ukraine.

Let me dwell on a particular comparison confirmed by data of our institute covering many years. By scientifically improving the land, eliminating many of the extremes of land reclamation, and introducing more productive varieties we could increase the productivity of cotton by 600,000-700,000 tonnes. That's how much two oblasts produce today. But cotton isn't the only concern, after all. Imagine this: As many as 22 million persons already live in Uzbekistan, on a territory of a little more than 450 square kilometers, a sizable part of which is occupied by deserts and semideserts.

The population is growing, its annual increment has averaged half a million, and the fields that are supposed to give us grain, vegetables, fruits, milk and meat are the same size as before, while in many places their area has decreased dramatically due to growth of cities. If we use these fields

more intensively, which means applying more mineral fertilizers, herbicides and pesticides, we would be ruinously contaminating and destroying the soil. There's something to think about here.

The main problems of the land today can be determined by looking at it in three dimensions. The first—its fertility, the ability to provide the greatest return per irrigated hectare. The second—ecology, the ability not only to feed man but also preserve the surrounding beauty, and civilization's natural lungs—the forests and the rivers. Third—the social side, uniform distribution of productive forces, reasonable construction of cities and towns on the land, so that all interests of the people would be accounted for. To be honest, this is not a simple task. But it is something we need to do.

As far back as in the 1960s scientists of our institute developed the concept of the fertility of irrigated soil, and carried out major soil improvement operations in regions of future development. These were mainly the Karshinskaya, Dzhizakskaya and Sherabadksaya steppes, the Fergana Valley, and the lower reaches of the Amu-Darya. It was then that a means was found for growing high cotton yields in the conditions of a desert zone: Scientists proposed creating an optimum soil density by sowing plants on previously prepared ridges and seedbeds, which increased the yield by 4-6 centners per hectare.

Much was done to study and regulate the hydrologic and thermal cycles of different soils. And in recent years research was started on thermophysical characteristics of soil. More-sensible means of improving desert soil were found, and plants promoting swift recultivation of land were tested. However, soil erosion, to which over 700,000 hectares of land fit for use are subjected in Uzbekistan, remains a serious problem to farmers. Imagine how much food could be obtained from this land in the presence of an acute shortage of plowland! Taking on this problem, scientists developed and introduced agrotechnical systems into production for controlling gully erosion on irrigated land and the means of laying out and cultivating gullied and unproductive land. But while developing even a good recommendation is one thing, getting to the fields is another. This is the task of the business executives, but sometimes they are simply powerless in the acute contradictions of a market economy. There are not enough resources, equipment or materials. But even under these conditions I feel that we need to do everything we can to improve the land. Because without it, it would be impossible to raise agricultural potential or solve ecological and social problems.

It would be worthwhile here to consider one other important point. When we lived in the Union, summary soil maps of river basins and certain large regions—the upper and lower reaches of the Amu-Darya, the Zeravshan and the Syr-Darya—were prepared. That is, the area of not only Uzbekistan but also Tajikistan, Turkmenia and Kyrgyzstan was covered. With our division into national compartments it has become very difficult, and sometimes impossible, to concentrate energy on carrying out common tasks and monitoring their fulfillment. All that remains

here is to wish that in pursuing important political and economic objectives the leaders of neighboring states would remember that they are living together on the same land, and they need to take care of it together.

Talking about the present day, here's something else that needs to be said. While in the 1920s-1930s land development proceeded slowly because of the limited availability of technical resources and the needs of those times, in recent decades the scale of development increased by several times. Intensive development and introduction of irrigated farming were carried on, however, without regard for soil conditions in each particular locale. As they say, we worked under the same yardstick-getting as much from every hectare, whatever the cost. Incompetent handling of the land led to degradation of the soil, growth of the area of salinized land, exhaustion of the total reserves of organic matter, worsening of the physical properties of plowland, and its contamination by heavy metals, pesticides and herbicides. As a result the productivity of the land fell, and its ecology found itself at a critical point.

Today, dependable means of improving the land are being sought. The "Soil" republic scientific-technical program has been developed. Considering that the ecologically most serious situation has evolved here in the lower reaches of the Amu-Darya, we started implementation of this program with Karakalpakstan. Here of course the problem has to do not only with soil but also with water, and with social reconstruction, brought on by the sharp drop in the level of the Aral Sea. That has meant thousands of tons of extra salt chased by the winds, and even change in climate. But we have selected a specific task for ourselves. Specialists of different profiles working in the institute have begun integrated study of the soil surface of Karakalpakia and detailed mapping of its soil. After the scientific work is finished, recommendations will be provided on what specific crops would best be cultivated on different types of land, with regard for its ecological and ameliorative condition.

In the future such work is planned for all of Uzbekistan. You will have to agree this is an enormous amount of scientific work, which will require many years. But people of the rural areas can't wait—they need serious scientifically substantiated farming procedures today, tomorrow. They have to feed and clothe the people.

Many have become accustomed to thinking that nature reproduces or restores itself. But that's not so. Today even short-term action by man upon the environment is such that it is comparable to the consequences of geological, geochemical and other global processes spanning many millions of years. A graphical example of this is the hundreds of ruined settlements in Central Asia. Today they have become historical monuments, museums beneath the open sky. You can be sure that not only the hordes of Genghis Khan and other conquerors are to blame for the disappearance of oases. Nature has not forgiven man his mistakes, and his indifferent attitude. Springs feeding the rivers have dried up, and the land has lost its former fertility.

When we ponder our history, we recall that there was a time when the Sahara was a rich land, and Hannibal caught elephants for his army in the forests of North Africa. According to statistics each year around 50 million hectares of fertile land in the world are transformed into desert. That's a fact that catches your attention. While we grieve for the land that is abandoning man, he is doing little to bring its goodness and generosity back.

#### Russian Academician, Deputy Minister on Reclamation Problems

944K0731B Moscow SELSKAYA ZHIZN in Russian 15 Feb 94 p 2

[Article by Boris Shumakov, academician of the Russian Agricultural Academy, and Aleksandr Kolganov, deputy minister of the Russian Ministry of Agriculture: "Is a Rainbow Over the Fields Something Necessary?"]

[Text] It has already been over a decade that certain scientists, writers and journalists have been carrying out a massed offensive against land reclamation policy. First on the scale of the former USSR, and now in Russia. As a result the USSR and RSFSR ministries of land reclamation and water resources were utterly devastated, followed by the USSR Ministry of Water Management Construction and the Vodstroy State Concern. The sector has been practically eliminated in Russia itself. The Main Administration of Land Reclamation and Water Resources, which has survived under the Ministry of Agriculture, the Vodstroy Joint-Stock Company and the Rosselkhozvodstroy and Tsentrinzhselstroy corporations now unite water management construction and planning organizations only on a voluntary basis.

Moreover, it was found that in comparison with other sovereign states that formed atop the ruins of the great country, the Russian Federation has the smallest percentage of reclaimed agricultural land (11.5 million hectares, to include 6 million hectares irrigated and 5.5 million hectares drained). But not only has this foothold not enjoyed any growth in the last 3 years, it has even decreased by more than 1.2 million hectares. This has been due to indiscriminate abandonment of reclaimed land as a result of higher taxes on it and continually growing operating expenses. Things can get worse—the need for financing all reclamation work only out of local budgets has recently been pondered intensively in government circles. If such a policy is adopted, in the next 3 to 5 years Russia's reclaimed land will be practically eliminated.

The natural question that arises is this: Does Russia need such land anyway? Could it be that the need for it was substantiated by ignorant scientists and specialists who saw only personal gain in the development of land reclamation?

Let's look at history to get a dependable answer. According to available documents, development of land reclamation in Russia goes back more than four centuries, while planned irrigation and drainage did not begin here until the last century, in the reign of Nicholas I. A hundred years ago the Department of Land Improvement, the first state

body dealing solely with the problems of land reclamation, was established in the Ministry of Agriculture. At that same time, at the end of the last century, large expeditions were organized under the leadership of famous specialists and scientists such as I. P. Zhilinskiy, M. N. Annenkov and V. V. Dokuchayev. As a result irrigation and drainage systems that were large for those days appeared in different corners of the country.

We can divide the Soviet era into a prewar period of peoples' reclamation projects, when a number of large systems were created in Central Asia and Russia, and two postwar periods—up to 1953 and after 1960. At that time land reclamation was carried out practically in all regions of the former USSR, but to the greatest extent in republics such as Uzbekistan, Tajikistan, Turkmenia, Kazakhstan, Kyrgyzia, Azerbaijan, Ukraine, Belorussia, Lithuania, Latvia and Estonia. It must be said that there were failures as well, due to inadequate justification of some projects. These mistakes led to secondary salinization, swamping and overdrainage of part of the land, exhaustion of springs, and the advent of the Aral ecological crisis.

In Russia itself, irrigation was developed in the Northern Caucasus, along the Volga and in Western Siberia, while drainage projects were carried out in the Nonchernozem Zone of the European territory and in Siberia. The relatively small amount of reclaimed land has until recently provided for the production of 100 percent of the rice, 80 percent of the vegetables and 80 percent of rough fodder. In other words the contribution to agricultural production has been substantial.

Returning to the question raised in the article's title, let's now consider the experience of highly developed foreign countries.

The 15th International Congress on Irrigation and Drainage was held in September 1993 in The Hague, with 80 countries participating. For the first time in the last 30 years, Russia was not officially there as the successor to the former USSR. Sad, but true.

It was noted in the general report given by John Hennessy, president of the International Commission on Irrigation and Drainage, that irrigation and drainage remain the sole dependable means of stabilizing and intensifying agricultural production in the 21st century, providing for execution of the food program of developing countries. This was the road traveled in the past by the United States and Germany. Reclaimed land now makes up over 60 percent of agricultural land in these countries, while in the Netherlands it is as much as 80 percent. This is believed to be the optimum ratio here, and there are no plans for increasing the area of reclaimed land in the next 5-10 years. On the other hand emphasis is now being laid on the

work of operating and rebuilding existing systems, raising their ecological safety and reducing their energyintensiveness. Developing countries must make use of the modern technical level of reclamation to carry out their food programs.

The congress examined two questions. The first concerned establishment of systems of a new generation distinguished from former ones by their ecological safety and resource-conserving nature. This means economical use of both natural (land, water) and economic (cr pital-intensiveness, energy-intensiveness, metal-intensiveness etc.) resources.

The second question had to do with the forms of financing of reclamation work. It was noted that in all developed and developing countries investments are financed both by the state budget (70-80 percent) and with assets from municipalities and farm associations. Moreover construction of water intakes, reservoirs, major canals and pumping stations is proceeding only at the expense of the state budget, while projects at the farms themselves are financed both by the state budget and with assets of the farm associations.

State low-interest loans are being granted for reconstruction and reorganization of systems in commercial farms. Then, after the client's work is 70 percent completed, loans are paid off by the federal government.

In comparison with the countries discussed above, Russian agriculture is in more complex climatic conditions. The country's southern regions are subjected to frequent droughts, while the central and northern sections are distinguished by excessively wet farmland. This means that experience should not be carried over blindly: Our climate and our economic resources need to be considered. Simple arithmetic shows that in order to establish stable and highly productive agricultural production, we need to subject an area of 30-35 million hectares of land to reclamation—that's 20-25 percent of all agricultural land. When done in integration with other forms of land improvement (forest, biological, chemical, erosion control), this can successfully solve the problems of producing feed with a balanced protein concentration, as well as sugar, vegetables, fruits and other valuable food products.

But let's be realistic. In today's economic conditions it is impossible to consider extensive development of land reclamation. Maintaining the land we already have, transforming it somewhat in correspondence with the agrarian reform, and rebuilding and reorganizing farms must be the priority objective.

Russia does of course need reclaimed land! But the kind that would have a caretaker, and would support stable, highly productive production of ecologically clean products.

### Presidential Council Member Defends Russo-Georgian Treaty

944Q0190A Moscow OBSHCHAYA GAZETA in Russian No 6, 11-17 Feb 94 p 6

[Interview with Emil Pain, member of the Presidential Council, by Mari Silven in Moscow; date not given: "Treaty Advantageous to Russia"]

[Text] Emil Pain, member of the Presidential Countil, was part of the presidential team during the visit to Georgia. In an interview granted OBSHCHAYA GAZETA on his return to Moscow he describes his impressions, just fies B. Yeltsin's position at the negotiations, and takes issue with deputies of the State Duma.

[Silven] On the eve of B. Yeltsin's visit to Tbilisi you were apprehensive as to how the Georgian public would greet the president....

[Pain] Yes, his circle was concerned about how B. Yeltsin would be accepted by representatives of the intelligentsia, with whom he was to meet. But the meeting was quite relaxed. There was a great deal of joking, but difficult questions concerning Russia and Abkhazia were asked also. The audience in the House of Scientists was in an exultant mood, virtually, and this was explained, I believe, not so much by the traditional Georgian hospitality as by the fact that people in Georgia are wishing for a miracle. Aside from the hope of this, they have nothing left. Yet they can hope for a miracle only from Moscow.

In his speech Yeltsin said for the first time that Russia did not absolve itself of some of the blame for what had happened in Georgia also, and this enjoyed a phenomenal success. Generally, the previous democratic solidarity between the Georgian and Russian intelligentsia was recalled, in the main. The mood was one of forgiving Russia for everything that happened with Abkhazia and of recalling that which was connected with the formation of independent Georgia.

[Silven] Recalled by whom?

[Pain] Well, E. Shengelaya, head of the Union of Cinematographers of Georgia, and A. Tavkhelidze, president of the Academy of Sciences, for example.

But I was struck most by the abrupt change of position in connection with integration with Russia. That same intelligentsia which had considered Georgia's independence a means of salvation from all troubles is now, having drained a cupful of independence, saying: "It is not we who are to blame, it was Russia that pushed us out of the Union." A desire to justify oneself is psychologically understandable, like the desire to find someone else to blame. In order to explain their own defeat they are also talking about the interference of a "third force."

[Silven] And were you not concerned for B. Yeltsin's physical safety?

[Pain] We were, of course, and this is why he was heavily guarded. But everything turned out alright. There was just one tiny episode: As Yeltsin was leaving the House of Scientists, a group of young street children tried to jeer him. And here E. Shevardnadze made an exceptional gesture: He slammed shut the door of his car and alone, without security, walked down Rustaveli Street. The mood of the crowd changed instantly. The public broke into applause, and he was greeted in such a way that I had the feeling that I was once again in August 1991, when Shevardnadze led a column of demonstrators to the Russian White House. The level of democratism demonstrated by Shevardnadze is convincing. Anyone may approach him unhindered—despite the fact that the situation in Georgia is extremely unsafe. The Russian president cannot be approached that easily.

[Silven] How do you evaluate the results of the trip? An opponent of the treaty called it "a translation from the Georgian," maintaining thereby that the treaty is beneficial only to Tbilisi. What arguments could you in point of substance counterpose to the position of the councilmen?

[Pain] I believe that if the reference is to practical matters, this treaty is more to Russia's advantage. Georgia has obtained credit, and there will be an increase in the supplies of gas and other forms of energy, but not on a scale such as might pull the country out of the present critical situation. This is more a symbolic, psychological gesture.

For Russia, on the other hand, the treaty has solved certain most complex questions. The problem of its outlet to the Black Sea, for example. Russia has currently the sole small port of Novorossiysk. In accordance with the treaty, Georgia will make available to Russia its ports and, primarily, the tanker port of Batumi. An agreement was reached also on the creation of three military bases on the territory of Georgia. This is the first such agreement, I believe, throughout the time of the existence of the new independent states. It is not a question, incidentally, of new contingents of troops but of remnants of the units of the former Transcaucasus Military District. Their transfer to Russia and their ability to fend for themselves (together with their families) would have cost us more than the legalization of these formations in Georgia.

Much is being said currently about the problem of Russians in the near abroad. They are fleeing Georgia, but fleeing hunger, cold, and the increase in crime, and by helping Georgia, therefore, Russia is alleviating also the position of its compatriots.

[Silven] Why, then, did parliament declare its rejection of the treaty?

[Pain] The solidarity with which all factions opposed the draft treaty is impressive. It could have arisen in the soil of the fact that all factions in the Duma are now of the opposition. But I believe that the position of Russia's Choice in this case is more the result of insufficient thought and a survival of the once-popular quasidemocratic idea of a nation's right to self-determination. This principle has not, as we all know, been elaborated in international practice, nor has Democratic Russia clarified its interpretation. Who has the right to self-determination: an ethnic group or the entire territorial community? Is

self-determination following ethnic purges permissible? If so, any territory could engage in this.

The protest of the other factions ensues from the doctrine, which is very fashionable currently, of vital interests and reintegration. And many people understand the latter in the medieval sense of the word, what is more: as Russia's territorial acquisitions. Not everything can be annexed today, naturally, and for this reason the supporters of reintegration are hankering after what is ailing. After "pieces" which, it would seem, are asking to be admitted to Russia themselves. Where would we be were we to put this idea into practice? The countries from which "pieces that are ailing" had been "ripped off" would become a zone of hatred around Russia and that same cordon sanitaire which all the councilmen in Central Europe so unanimously reject.

The Duma has two political poles, conditionally speaking: "imperialists" and "isolationists." The first clash between them was played out over unification of the monetary systems of Russia and Belarus: The "isolationists" were opposed, the "imperialists," in favor. In the Georgian business they were oddly on the same side of the barricades because the "isolationists" are opposed to feeding a poor Georgia, and the "imperialists" support openly or in veiled form the annexation to Russia of South Ossetia and Abkhazia. But how is it possible to advocate the integrity of Russia and at the same time deny neighboring states this right? This ambiguity is today widespread among Russian politicians. It has determined the Duma's decisions to a considerable extent. But at the same time I believe that a share of the blame for the treaty incident is borne by the executive also. Why did it not harmonize this document with a number of Duma committees and explain and, perhaps, emend individual wording in it before the president's trip?

[Silven] You refer to the Duma's principal objections connected with article 3 of the treaty, according to which Russia undertakes to assist in the creation of a Georgian national army? It is said that this is tantamount to arming it for war against Abkhazia.

[Pain] In actual fact, everything is the other way about. The treaty links military assistance with stages of a political settlement of the Georgian-Abkhaz conflict: initially agreements, then an army.

Russia is interested in the creation of a Georgian army and border services. It is not a matter of indifference for it what the border with Chechnya looks like: whether this is a passageway in which armed detachments fight among themselves or the fortified border of a state firmly oriented toward Russia. According to the treaty, the parties would undertake to prevent border crossings by armed detachments.

However paradoxical, incidentally, the Ossetians and the Abkhaz should have an objective interest in the formation of a regular Georgian army because it is not a regular army but uncontrolled formations that represent the main danger. As long as the latter exist, the danger of the ouster of Shevardnadze will remain. Any other Georgian leader—of those currently visible on the horizon—would be more frightening for Abkhazia and South Ossetia.

Further, it is very important that Shevardnadze acknowledged for the first time—if only in a small group at the negotiations, publicly, nonetheless—the need for Georgia's political arrangement on the principles of federalization. This very term had previously been shunned in Georgia, now, however, this word was tossed into the negotiations.

[Silven] It is maintained that the treaty is inopportune....

[Pain] Why so? There are no Georgian troops in Abkhazia, just as there are, for that matter, no Georgians at all—the largest ethnic group prior to the start of the conflict: An ethnic purge was carried out there. So the return of refugees—almost 200,000 persons—is inopportune? It was the mechanisms and technical conditions of their return that were discussed with his Georgian colleague by S. Shoygu, chairman of the Committee for Emergency Situations.

As far as the idea of the impossibility of the conclusion of a treaty between Russia and Georgia prior to a political settlement of the disputes between Georgia and Abkhazia and South Ossetia is concerned, it does not, in my view, withstand criticism. There are just the same problems in the majority of CIS states. So we should not be signing a treaty with Ukraine until the latter regulates relations with Crimea? There are similar problems in Russia itself, come to that: Can we deny other states the conclusion of a treaty because relations between the federal authorities of Russia and Chechnya have not been completely clarified?

This will not be achieved in a matter of days or months even. Leaving interstate relations unsettled, on the other hand, merely means stimulating a continuation of the conflict inasmuch as one of its main causes is contained in the uncertainty of Moscow's official position on the question of the territorial integrity and the borders of Georgia—notwithstanding the fact that Russian citizens are, as we all know, fighting on the side of the Abkhaz.

The question of permissible forms of assistance to ethnically related peoples is a very serious problem. No one can prohibit cultural contacts between related peoples or economic assistance. Legal protection of ethnic minorities—kinsfolk on a different territory—via the system of international mechanisms is permitted in principle also. But the formation of illegal military detachments and the crossing of a border with weapons to participate in civil wars on the side of one's "own" ethnic community are absolutely impermissible.

Nowhere do ethnic borders coincide with political borders, and were the world community to recognize the possibility of the armed protection by an ethnic metropolis of its diasporas in other countries, the world would be threatened by general carnage and total conflicts throughout the world. It is Russia's duty, therefore, as a member of the Security Council, to put a decisive stop to such operations.

### **POLITICAL AFFAIRS**

Kravchuk on Economy, Privatization: III 944K0693A Kiev UKRAYINSKA HAZETA in Ukrainian No 2, 20 Jan 94-2 Feb 94 p 2

[Third installment of interview with President of Ukraine L.M. Kravchuk by UKRAYINSKA HAZETA Editor in Chief Valeriy Zholdak; held in the office of the president of Ukraine on 9 December 1993; published under the rubric "UKRAYINSKA HAZETA Projects: Real Contenders for the Office of President of Ukraine, Elections For Which Have Been Scheduled for 26 June 1994": "Ukraine Will Be Great and Strong.' UKRAY-INSKA HAZETA Editor in Chief Holds Conversation With President of Ukraine Leonid Kravchuk on the Most Burning Problems in Domestic and Foreign Policy of Ukraine, the Leading Cadres of the State, the Family, Rumors, and the Woes of the People"-for first two installments see Ukrainian National Affairs Section of Central Eurasia Daily Report of 28 Dec 93 p 30, 11 Jan 94 p 52]

[Text]

# The President Goes All the Way on Nonnuclear Status and Makes a New Statement Through UKRAYINSKA HAZETA

[Zholdak] Did you talk to Clinton from here, from your working office?

[Kravchuk] This is the telephone I used to conduct the conversation with Mr. Clinton.

[Zholdak] How did he talk to you? Politely or as a dictator?

[Kravchuk] He is generally very polite. There has not been a case yet in which presidents have talked to each other impolitely. It is our politicians that frequently try to outdo one another in impoliteness. Clinton is a very polite man. I have communicated with him on the phone three times: first, when I congratulated him on his election as President; the second time he called me, when I was at the dacha, during the period of strikes in summer; and now for a third time.

[Zholdak] Did you talk in the morning or in the evening? [Kravchuk] In the evening.

[Zholdak] You sat.... Did you know that he would be calling?

[Kravchuk] Certainly. I had been notified.

[Zholdak] In what language did you talk to him—English or Ukrainian?

[Kravchuk] I talked in Ukrainian and he talked in English. Both he and I had our own interpreters.

[Zholdak] And, you say, very politely....

[Kravchuk] He expressed the most respectful attitude toward both me and Ukraine. He always stresses the same thing: that America is interested in the existence of an independent Ukraine, and that it is in favor of the territorial integrity of Ukraine, and he assures me that he wishes Ukraine well. He starts with this every time.

[Zholdak] Is it true that a secret joint meeting of the representatives of the Security Councils of America and Russia was held in Moscow? Did they get together and discuss something against Ukraine?

[Kravchuk] No.

[Zholdak] Is this just talk?

[Kravchuk] Just talk. Recently there was a meeting of the Russian Security Council separately. This was reported in the press. However, not only Ukrainian issues were discussed there but also issues of overall security in the world.

[Zholdak] Leonid Makarovych, the Armed Forces of Ukraine means defense, the existence of an independent Ukraine. When Kuchma was prime minister, he stated that he did not know what Morozov, our minister of defense at the time, was doing. Do you remember this phrase?

[Kravchuk] What about it?

[Zholdak] The Supreme Council does not resolve issues of effectiveness of the military mechanism either because it is a collective organ. Tell me please, Mr. President, who among the first, supreme officials of the state works on problems of the Armed Forces personally, systematically, and I would stress, responsibly?

[Kravchuk] The president.

[Zholdak] Does everything really devolve on you directly?

[Kravchuk] Everything that concerns the Armed Forces is reported in its entirety solely to the president. The president is commander in chief.

[Zholdak] Are you a colonel or ...?

[Kravchuk] A colonel.

[Zholdak] It is good that at least you do not promote yourself to the rank of marshal, as our Communist leaders once did.

[Kravchuk] Rank is not the issue. The main point is to prevent war and bloodshed in the state.

[Zholdak] On this, Mr. President, we will give you due credit: During the two years of your "reign" certain, putting it mildly, unfriendly forces have not succeeded in getting the Ukrainian people involved in ruinous conflicts.

[Kravchuk] I repeat that the president is responsible for the security of our people to the greatest extent. And if you, Mr. Editor in Chief, do not have any more questions about nuclear weapons, and it appears that we have discussed this in a quite detailed and popular way....

[Zholdak] Yes, you sorted it all out in a popular way.

[Kravchuk] I will declare yet again: No matter who clamors or votes in favor of nuclear armaments, Ukraine

must get rid of nuclear weapons. This is due to military-political, technical, ecological, and other circumstances. However, this should be done proceeding from the interests of the people.

[Zholdak] UKRAYINSKA HAZETA will concur with you on this, Mr. President, if crafty Russia, or whoever else together with it, pays all bills to us for all weapons, both tactical and strategic.

[Kravchuk] I will ensure this.

[Zholdak] Russia is demanding debts from us, whereas it itself is an even greater debtor of ours. Let its present leaders first return to us 16 percent of the USSR reserves of valuables—diamonds, gold, and other valuables. They have the gall to put pressure on you.... Do not yield to them, and the people will support you, Leonid Makarovych. However, at present the state of the mood of the popular masses is highly volcanic. I mean our current poor material situation. The people, most of the people, are concerned about what they are going to eat tomorrow. Everything is expensive, everything is beyond reach.... Undoubtedly, you know this as well as I do.

[Kravchuk] Indeed, our economic difficulties have reached a critical high point.

[Zholdak] Leonid Makarovych, here is the main question which at present alarms Ukraine and the Ukrainian people. We have received an interesting letter. Its author quotes your well-known pronouncement that is particularly fashionable coming from the lips of various leaders who care about Ukrainian independence only in a manner of speaking. You came up with it: "We have what we have." Our reader is indignant about these words, and he specifies, to my mind correctly, their message with regard to the situation that has developed in the state. He maintains: "We have what we have allowed." Indisputably, this arrow was aimed at you, Leonid Makarovych.... Therefore, here is the following question for you: How could it be that after prices for foodstuffs, to say nothing of manufactured consumer goods, were raised sharply by the Cabinet of Ministers, which you lead, the Ukrainian people became paupers overnight, and at the same time very malicious toward the leaders of its state, and toward you in particular? Why did this happen? Be so kind as to explain it in a simple and popular manner, without "scientific" substantiation, if you would.

[Kravchuk] In a popular way, here it is. If we had real borders with all states of the world, I repeat—real borders rather than loopholes, as is the case now, just a belt with all the attributes of a border, if we had customs checkpoints likewise with all the attributes, we could establish within the country prices that are in line with our economic potential. This is the first point. Second...

[Zholdak] Pardon me, Mr. President, so, is the permeability of our borders, i.e. the absence of real borders in our country, the first reason for the growth of prices?

[Kravchuk] No, no, I will explain. I will return to the main....

[Zholdak] It is just that I want to understand so that we will not go far....

[Kravchuk] We will not go far. At present, with our permeable borders, prices in a neighboring state automatically influence our situation. For example, we have lower prices, and Russia has higher prices. They export products to Russia, sell them for rubles, convert the rubles into dollars, get coupons again....

[Zholdak] They clip coupons!

[Kravchuk] Yes, they do! And the process of exports goes on.

[Zholdak] This is clear.

[Kravchuk] So, the second point. Prices should be in line with costs. Our prices are not yet in line with costs. High prices are not even the issue. Do you understand? The issue is for wages to correspond to prices.

[Zholdak] Our political commentator, Academician Ihor Rafayilovich Yuknovskyy, has always maintained this.

[Kravchuk] I know. We should bring compensation for labor into line with prices, and then the standard of living of the people will grow. For example, the price may be one kopek, and the wage two kopeks. You will buy two things with two kopeks.

[Zholdak] Leonid Makarovych, you said "we should bring," but when will this "should" become a reality? How will this happen? Are you already developing some kind of mechanism, or what? Are you and your cabinet just thinking about it?

[Kravchuk] Why thinking? We are working.

[Zholdak] However, the shops are now barren. How much longer will their beggarly appearance oppress our souls and our consciousness?

[Kravchuk] Why are they barren? Because everything has been removed from them.

[Zholdak] By whom? Where to? Did they simultaneously remove everything from all shops?

[Kravchuk] They exported half the products beyond the borders of Ukraine. Collective farms do not sell at such prices....

[Zholdak] So, are they removing it from warehouses? Who is?

[Kravchuk] Look, you do not understand. At present, kolkhozes cannot sell products at low prices. These products should be subsidized, or else they will sell the products with their costs included. It cannot be otherwise. We gave 5 trillion in subsidies.... I think the subsidy came to 5 trillion in 1.5 months! So, if we have the budget, these 5 trillion should be given to collective farms, and they will sell to you at low prices. Or else they will say: Defray my costs, I cannot maintain expanded reproduction.

[Zholdak] So, are the reasons for price raises yesterday and today to be found in permeable borders and prices that are not in line with costs?

[Kravchuk] The costs are the main reason. We need to either subsidize or decontrol prices. There is no other way.

[Zholdak] And you decontrolled them!

[Kravchuk] We decontrolled. The subsidies accomplished nothing. I associate loopholes in the borders with the fact that when subsidies exist, products are exported to where prices are higher. That is, the borders are not the main point, they do not rank first. However, all things are linked among themselves. I will repeat that prices are low in the environment of subsidies. Borders have to be under lock and key because of the subsidies so that products will not be exported to where prices are higher. Do you understand?

[Zholdak] Leonid Makarovych, say more precisely, so that both I and the people who will read our interview will understand, when exactly changes for the better will occur, and when our impoverishment will stop. If only you could see how many old grannies have now appeared in front of bakeries. They stand there (may they forgive me) as if homeless, hungry four-legged creatures.... They are asking for a slice of a roll because they have nothing to buy it with.

[Kravchuk] I will repeat—when we bring wages into line with prices.

[Zholdak] When will this happen? Tomorrow, a month from now, 10 years or 100 years from now?

[Kravchuk] When we finally determine what energy resources we will have and how much they will cost. Russia has recently raised prices for energy resources three times. Three times.

[Zholdak] So, it will raise prices continuously, and we will never....

[Kravchuk] No, no. There is the world price.

[Zholdak] What is it?

[Kravchuk] At present, we do not yet have this world price.

[Zholdak] Why do we not? When will we?

[Kravchuk] In January of next year (1994—UKRAYINSKA HAZETA editorial note).

[Zholdak] It will be set in January and then what—stabilization occurs?

[Kravchuk] Than we will, for our part, establish the upper scale of prices.

[Zholdak] Yes.

[Kravchuk] We will establish the scale of wages and retirement benefits, and everything will depend on labor productivity. For example, if we increase production, prices will fall. If we reduce production, prices will grow. This is legitimate. It cannot be otherwise. I will give you a simple example. You have 100 kilograms of bread.

[Zholdak] Yes.

[Kravchuk] And you also have 100 people. You can give one kilogram to everyone regardless of how much money you pay to all of them. If you pay them more money they will buy the same 100 kilograms with more money. That is to say, this is about increasing the number of kilograms. If we increase it, the price falls. At present, everybody is reducing it. Industry is cutting back production, there is less meat and less milk. There is less of everything. So, prices grow.

[Zholdak] However, wages do not grow accordingly. What is your salary as president?

[Kravchuk] Six hundred thousand, it seems.

[Zholdak] Six hundred thousand net?

[Kravchuk] Well, no, this is the entire salary.

[Zholdak] The entire salary? And nothing on top of it? No bonuses or extra pay? Nothing?

[Kravchuk] Yes.

[Zholdak] It is not only too much but even terribly little for the president. How can the president be valued like that?

[Kravchuk] What is there to say when everybody gets low wages now. Some get a lot.... The issue now is how to equalize the ratios of costs, prices, and wages. This is the main issue for each state. Here, a multitude of problems are superimposed in this area—technology, costs, world prices....

[Zholdak] Leonid Makarovych, UKRAYINSKA HAZETA has started a new rubric: "Are People Cogs? People Are Pincers!" One of your fellow natives of Rivne responded to it. Ivan Ivanovych Podranetskyy wrote to us.... I will not quote the entire text because we will publish it separately. It was about the state, and you as its head, bringing about a situation where the people who before the price increases had savings that were considerable as of that time either at home or in savings banks, immediately became poor, destitute. What once was a few thousand karbovantsy has lost value and become simple pieces of paper. At first it was announced that a certain small amount of deposits would be increased by 200 percent. However, pardon me, this is too little, too late. What is to be done so that people will have what they had? Mr. President, this adage of yours is particularly appropriate in

[Kravchuk] If memory serves, the people in our country had 90 billion rubles [R] in passbook accounts. If we appraise it using this coefficient, it will now come to trillions, tens of trillions.

[Zholdak] Well.

[Kravchuk] So, we announce, for example, that you have a trillion. Can you buy anything with this trillion? This is not the issue.... You see? We may now be kind and announce to all: The state is paying you back, the state is giving to you. We live so that the state is supposed to give.

[Zholdak] What it must give ....

[Kravchuk] Yes. The state must give what is fair. However, where is the state to get this? What is the state? Does the president have money in his pocket? If collectives do not give this money, if the people who work do not give this

money, where is it to be had? I met today with the director of a Yugoslav factory. It was an interesting meeting, lasting five minutes. I asked her: "How do you operate under the conditions of a war going on?" She answered: "All our workers there understood that they might only live if they worked. There is no other way." Further on, I asked: "What kind of taxes do you pay to the state?" She answered: "For each dinar, two dinars." I was astonished: "Then how do you live?" She said: "This is how we live, such is the situation."

[Zholdak] I understand what you are driving at. We should work, work, work....

[Kravchuk] Wait.

[Zholdak] This is correct, Leonid Makarovych, but on one condition: Those who organize this "working" process should be able and willing to implement such an appeal to work. Directors, a majority of directors, do nothing but "cry": "We do not have this, all of our relations have been broken...."

[Kravchuk] I did not finish my thought. Please understand.... I would like to explain it to you in a popular manner. When we proclaimed our state, what did we begin with? Reduce the work day as much as possible. Provide as many social programs as possible. Provide as much social protection as possible. Provide! Provide! Everybody said that we were rich enough to be able to provide for and give everything to everyone. Here it is, take it! We forgot one thing: All this can only be created through work. You may put an angel in this office.... If people do not understand one simple thing, that a way out should be sought through work, through manufacturing high-quality products, through sales, and that foreign exchange has to be earned, we will always be poor. There is no other way out. Nobody will give us either oil or gas for free. Everybody lives by world prices. Why can Ukraine not follow them?

[Zholdak] Leonid Makarovych, you have been saying all along that we "must work." In this case, the directors themselves "must" be first forced to work and hustle.

[Kravchuk] Why "forced?" Then let us return to that regime, to the former owners of this office who engaged in this.

[Zholdak] No.

[Kravchuk] What do you mean by no? Down with democracy! Down with laws! What does "force" mean?

[Zholdak] Calling them to order, so as to make them accountable....

[Kravchuk] In what way?

[Zholdak] If a director works poorly, does not want to handle the enterprise or does not know how, or is incapable of handling the enterprise, why should such a manager be retained?

[Kravchuk] However, you wrote yourself at one time—let the collectives elect the directors.

[Zholdak] This was wrong.

[Kravchuk] Here we are, wrong. I also say it is wrong. Everybody made a mistake, and now they want to find a scapegoat. Yes, I say: we must, we must, we must. After all, I cannot proclaim that I will issue an edict tomorrow, and that everyone will have to work under the whip. Down with the laws we have passed?... The people should understand this themselves. I repeat that there is no other way out.

[Zholdak] Still, what are we to do about the letter from your fellow native of Rivne? So that the karbovantsy will become valuable.

[Kravchuk] First, you must know that a decision on indexation was made by the Supreme Council, and that the value of savings will be included when the budget is approved. However, to the full extent.... My thinking is that, second, people should be told the truth: We are crediting everything for you to a special account and we will pay it back when we become rich.

[Zholdak] Can you announce this to the people?

[Kravchuk] I can. We will prepare proposals and calculations, and we will announce.

[Zholdak] Someone must become urgently concerned about the common people, the "cogs." The "pincers" will hack out, wrest, yank, and take theirs from the state. Let us promise that people will be compensated even in 10 years....

[Kravchuk] We will definitely pay them back.

[Zholdak] After all, we will not be poor all the time, will we? I do not believe this.

[Kravchuk] Neither do I.

[Zholdak] Is Ukraine in the abyss now or not? What do you think?

[Kravchuk] Why in the abyss? In the abyss means being dead already.

[Zholdak] Why? One can still live in the abyss. Hetman Kalnyshevskyy lived to be 100 years in a "sack of stone."

[Kravchuk] This is not an abyss.

[Zholdak] More terrifying than an abyss.

[Kravchuk] If a man falls into an abyss it means certain death.

[Zholdak] So, we are not yet in a precipice, Mr. President?

[Kravchuk]) We may overcome this situation.

[Zholdak] What is the situation in Ukraine at present, to your mind?

[Kravchuk]) An extremely difficult economic situation. However, having this kind of resources, we may realistically bring about normal life in Ukraine.

[Zholdak] Thus, the situation is difficult, is it not?

[Kravchuk]) Extremely!

[Zholdak] Extremely! In this case, tell us who specifically brought this about? Who among the highly placed leaders? What do you think? Someone should finally be held accountable for the suffering of a great people, instead of fleeing abroad to diplomatic and commercial positions, as they are now saying about the civil servant, currently the "Frenchman" Mr. Lobov, say, the former minister of power generation and already the "American" Mr. Sklyarov, and, say, an "active fighter" against the state structures of the mafia, the former deputy prime minister and likewise the "American" Mr. Yoffe....

[Kravchuk] Well, this is a "witch" hunt. This is understandable.

[Zholdak] However, Leonid Makarovych, someone should be responsible for everything. Or would you like to, pardon me, have to take the rap for everything? I do not want to blame you alone for the country experiencing such a collapse and destitution....

[Kravchuk] No, I may say so.... I de not want to.... You would understand that you are asking me a difficult question. As president, the highest individual in the state, am I supposed to shift the blame to someone else? I may only blame myself. This is it. I cannot shift it to anyone, and I will not. In principle, I am against a search for enemies and those responsible for this or that. Everybody.... Now let us deliberate this way. Was I the only one to whom the idea, for example, to follow the path we have opted for occurred? No. The people of Ukraine decided that. We opted for this path, we voted in favor of it.

[Zholdak] Do you mean the path of independence? As it were, Kuchma stated when he was prime minister that he did not know what needed to be built and what path needed to be followed.

[Kravchuk] Why does he not know? I think that he said that in the heat of the moment.

[Zholdak] Apparently, for this reason he already wants to become president of Ukraine now that he has been removed from the position of the head of government. Perhaps he believes that from the height of this state position he will see the landmarks toward which to proceed. Mr. President, we are building an independent, happy Ukraine.

[Kravchuk] Absolutely! And we know that this entails sacrifices. We know that this inevitably entails devastation. Because.... You will understand.... We are building a state out of a piece. We import 80 percent of everything from Russia and other states. We are now saying: Look for it internally. We look, and we find. We have found it somewhere. We should also be aware of favorable processes in this. Where and when.... Recently I went to Tunisia. They have been building that state for 37 years now. Thirty-seven years! To this day they have a great many difficulties. However, there is progress. We started to build the state only two years ago and want things to get better right away. We were taken in by an illusion—as soon as we proclaimed independence, we decided that things would get easier right away, everything would be cheap,

cheap sausage would become cheaper still, and we would not even work.... Do you know what the length of the work day is in South Korea at present?

[Zholdak] Six hours?

[Kravchuk] Fourteen hours!

[Zholdak] In the South Korea which, I think, has all it can desire?

[Kravchuk] Yes, this is one of the richest countries of the world. And they get about nine or 12 days of leave—I do not remember exactly. Nobody raises the issue of having leave for all right away and the shortest work day in the world. The state must be built up, a new economy must be built up, wealth must be created first, and then these things should be discussed.

[Zholdak] Leonid Makarovych, I may be mistaken, but so far it is not apparent that you personally, as president, have achieved even a small success in anything—I mean primarily in "creating wealth."

[Kravchuk] I do not see this either. Look at this.... I submit the issue of commodity bonds. They block me. I submit the issue, I was prepared and am prepared now to proceed to sell the old fleet which Ukraine does not need. They block me. I submit....

[Zholdak] However, you up and sold the fleet to Russia....

[Kravchuk] I did not sell it to anyone....

[Zholdak] In September you signed an agreement with Yeltsin in Massandra.... You wanted to sell....

[Kravchuk] We merely signed an intent.

[Zholdak] All the same, why sign even an intent?

[Kravchuk] I am convinced even now that we must sell.

[Zholdak] However, sell rather than give or transfer to Russia for some kind of astronomical debts invented by them. In general, if they are allowed into Sevastopol with all of its infrastructures, they will altogether evict us from there.

[Kravchuk] Can you drive them out of Sevastopol?

[Zholdak] No. We are not capable of doing this at present.

[Kravchuk] Then why the idle talk when it is necessary to agree with Russia on normal principles of cooperation in the region? If the issue of "driving them out" is raised, this means war. I am convinced that Ukraine will be an independent state only on the condition that it establishes a partnership, good-neighbor relations with Russia. Anyone who has not grasped this understands nothing about politics.

Kravchuk on Economy, Privatization: IV 944K0693B Kiev UKRAYINSKA HAZETA in Ukrainian No 3, 3-16 Feb 94 pp 2-3

[Fourth installment of interview with President of Ukraine L.M. Kravchuk by UKRAYINSKA HAZETA Editor in Chief Valeriy Zholdak; held in the office of the

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[Text]

### Who Is Leading Us Now? What Do We Have? Where Are We Going? How Are We To Become Happy?

[Zholdak] Leonid Makarovych, let us talk about cadres and, of course, your cadre policy. Who leads us, where, and how, mainly depends on you and your decisions. Let us return to our recent past for a while. The Supreme Council gave a vote of no confidence in the government and in its head, Leonid Kuchma. The latter held on for 11 months in the position of prime minister, and later, when he was brought down, began to declare that in your entourage and that of Ivan Plyushch and other ranking leaders he encountered meanness, slyness, and so on. This is his business.

[Kravchuk] Yes. However, I think that he had also encountered such things before.

[Zholdak] Let him say it. So it is—an impotent government. He was removed; he was unable to implement changes for the benefit of Ukraine. Logically, new people should have come in, all the more so because you personally undertook to put logether a team of ministers and their prime minister. However, you kept all the old cadres, with the exception of Morozov and Herts. Such logic is incomprehensible. Will these leaders who together with Kuchma botched up reforms in Ukraine be better working with you? Did you deliberately agree to personally being dragged down by them, too?

[Kravchuk] No, this was not the issue. You see, had the Supreme Council not made the decision on early elections we would have duly submitted this to that same Supreme Council. I am not the only one to form the government. The Supreme Council does so together with the president.

[Zholdak] Pardon me, Mr. President, I am asking you about why you took the old government which does not have the respect of the people.

[Kravchuk] Because it is impossible to form a new government for four months. There is managerial experience. No less than four months is needed for one to become a minister who knows at least something in a specific area. Had everybody been replaced at the same time, the ministers would have only been learning their jobs for the entire four months, or until the very elections. How would we have governed then, how would we have controlled the situation? The issue now is to control the situation and create conditions for transformations, to prevent slipping

into an abyss, as you put it, or further still. Not everybody understands what it means to be in the government and to think every day about where to find \$100 in order to pay for gas and oil, pay retirement benefits, and so on. These are the existing realities. Everybody may now be blamed—the president, the government, and there are grounds for such accusations. However, a way out of the situation should be found. Let us look for it.

[Zholdak] How do you look for it?

[Kravchuk] Let us look for it together. A congress of industrialists met today, and is meeting now. Proposals are being developed there that will be discussed together with the government. Decisions will be made. A search is on in ministries, departments, and international organizations.

[Zholdak] Leonid Makarovych, how could this have happened.... Here you are, an economist. Well, not that prominent an economist, correct?

[Kravchuk] Of course.

[Zholdak] However, you know the essence of the matter. Look, two years have already passed, and nobody has been able to develop an economic program for overcoming the crisis. Why has it happened this way? Why do we lack any kind of clear bearings? If only we were successful in something, had stopped something.

[Kravchuk] Seven programs have been approved by our Supreme Council. There are seven programs, but not one of them is being carried out.

[Zholdak] How about finding just one and doing it properly? We have an Academy of Sciences. For many years we have had its invariable President Paton whom, excuse me, you kiss and hug. He should have retired long ago. Meanwhile, you support him. He was a Shcherbytskyy man in his time.

[Kravchuk] I have my own idea of Paton, regardless of whose man he was. He has done very much for the academy. The academy is holding up at present, too. He has great authority in the world.

[Zholdak] New cadres should come along. One cannot head the same establishment for 32 years, correct?

[Kravchuk] The scientists themselves determine who to elect and who to respect. This is not up to me or you.

[Zholdak] However, there was not even an alternative. You were there.

[Kravchuk] No, I was not present at the election, and even if I had been I would not have influenced the election in any way. We are democrats, after all. Or do you have a different position?

[Zholdak] Democrats we are. Now about something else. We have the Institute of Economics. Do scientists really work there who merely await advance pay dates and paydays? There were economic councils under you, too. Look, Markulov appeared to be sensible, but now he has slammed the door.

[Kravchuk] Oh no, he did not slam the door. He simply took another job on his own initiative. Everybody has such a right.

[Zholdak] Why can you not gather together the wisest economists here, lock them in the same room for a month, and tell them: You will sit here until you come up with the right way—or bring in foreign economists? I may be putting it primitively....

[Kravchuk] You know, at present I want just one thing, that you take my place and try to do everything you are saying. Then we would meet with you a month later, and I would ask you about the same, and I would not get an answer. I understand you. I do not have any complaints or hold grudges against anyone. The people also think the same way you do.

[Zholdak] Yes. We have been tinkering for two years, and have not been able to produce anything.

[Kravchuk] Well, look. Our economy.... Wo are frequently compared with Poland, the Czech Republic, or Slovakia. They could do it, it is said, and we cannot. They had their own states, their own complete economies.

[Zholdak] I will tell you why. I am not an economist.

[Kravchuk] Why?

[Zholdak] Because our state has control of 90 percent of enterprises and kolkhozes. Let them go!

[Kravchuk] It is not just that. Let me now show you some interesting data.

(He went over to his desk and picked up a printed sheet of paper with black and white marks.)

[Kravchuk] This is a privatization table from an international magazine. Look at the private sector. White marks denote 70 percent. Look at Austria. More than 70 percent has been privatized there—oil and coal. The rest belongs to the state. Black marks denote more than 70 percent of the "public sector."

[Zholdak] State-owned.

[Kravchuk] Public. So, look. There are states in which everything is in the "public sector." Brazil. Here is Great Britain—almost everything is in the "public sector" in the 11 sectors named.

[Zholdak] Is that so?

[Kravchuk] France—almost everything in the "public sector." More than 70 percent. What are the sectors? Postal service, telecommunications, power supply, gas, oil, coal, railways, road construction, and steamship lines. Here are the main ones.... 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11. Eleven leading sectors—the "public sector."

[Zholdak] Let us look at America.

[Kravchuk] It has its own peculiarities. The level of privatization is the highest there.

[Zholdak] Here, look. Everything is white in America.

[Kravchuk] Not everything, but almost everything.

[Zholdak] And what about Japan? More white marks.

[Kravchuk] There are more white marks. Let us take Germany. You see, there are more black marks. I am driving all the time at privatization not being the only way out of the situation. The main point is for all forms of ownership to be equal, for equal conditions to be created for all. It cannot be that the director of state enterprises would pay wages of 200,000, and a commercial establishment next door—2 million. Conditions should be equal for all, for all forms. However, I agree with you that the state cannot carry the weight of the trade sector, consumer services, small enterprises, the garment and light industry, agriculture.... However, there is collective property, too.

[Zholdak] Agriculture is precisely what I am very much interested in. It is a fact that the financial and credit system of the country has broken down. I am saying this, and you will object, but I will now prove it to you.

[Kravchuk] I am not saying no. I am saying that it has broken down.

[Zholdak] All right. The current crop of agricultural products confirms this. Look, the state has ordered these products. The state was supposed to buy them. It also promised kolkhoz members resources on a preferential basis. The state has now gone bankrupt, it has taken all the grain, but has not paid either the billions or the trillions. In a conversation with me, Ivan Stepanovych confirmed that these are trillions. And the state is not paying back. This is the question for you, Leonid Makarovych.

[Kravchuk] Why not paying back? It is paying.

[Zholdak] Mere drops. It is not paying back.

[Kravchuk] It is. The state is paying back, albeit with difficulty, and will pay back. A different system for relations between the state and the agrarian sector has been approved for 1994. It is supposed to ensure a new approach in order to somehow resolve these acute problems gradually.

[Zholdak] Mr. President, Academician Ihor Yukhnovskyy, who is also the political commentator of UKRAYINSKA HAZETA, has proposed to lay taxes in kind on farms. He has informed you. In this case, the state will have an abundance of foodstuffs without spending money, just for taxes in kind. For example, I operate my own farm, and I am supposed to give the state one-third of the crop, depending on the quality of land. What is your view of this?

[Kravchuk] Well, this should be calculated. This idea of Ihor Rafayilovych should be worked on.

[Zholdak] A farm could give the state a certain established proportion of grain or meat per hectare. It would be interested in increasing the output of products because a fixed, unchanged tax would be established. The greater the crop grown by peasants, the more they get to keep. This is advantageous to all.

[Kravchuk] However, this is natural economy rather than the market. This should be calculated properly.

[Zholdak] So, you approve of this idea?

[Kravchuk] As an idea that should be studied well, an expert analysis of which should be made.

[Zholdak] Leonid Makarovych, this is a painful question—how are we to get rid of speculators at every step we take? Can we really not give Minister of Internal Affairs Andriy Vasylyshyn the right to at least scare these middlemen? In the times of the communist era there was never such rapacity and fraud on our streets and squares next to railway terminals, as we have now. Those who tried to resell merchandise from stores were put behind bars right away. Now this is free, big business. If only they were peddling their own products.

[Kravchuk] Previously if they caught someone, they did not look at the law. They caught them and put them in prison right away.

[Zholdak] And why do Vasylyshyn's people not do it this way now?

[Kravchuk] Everybody must act in keeping with the law, and there should be good laws.

[Zholdak] The law is what it is, but if a store salesman passes, for example, detergents to "his people" through the back door, and these goods are sold at four to five times their price, is this not a crime?

[Kravchuk] Can you prove it?

[Zholdak] Next to the Ukraine department store in Kiev, close to the stop of street car No. 1, plump women sell one package at 13,000-14,000; in the shop this merchandise costs 3,000, but it is not available. It is simple to prove that the street peddler did not manufacture the detergent powder herself.

[Kravchuk] She will say: "I bought it, and now I do not need it. And you do not have to buy it." There should be normal provisions and arrangements for their application, although the law enforcement organs are not doing everything by far. There are also other problems of democracy. For example, you bought a product in another country and brought it in for sale. You set a price. Those who want it, buy it, and those who do not, do not. This is your right. How is this speculation? This should not be put simply and primitively: If I am selling, this amounts to speculation. I agree with you on something else: If you buy something in a store and then go out and sell it right away, I am against it. However, this should be translated into law. If you follow closely the meetings of the Coordination Council for Combating Organized Crime, Minister Vasylyshyn and his guys are already doing nothing but this in order to cleanse our streets and squares in front of railway terminals from impudent middlemen. There is one more point: If economic conditions are not created, you will first establish control over yourself, and over the one who controls, and this chain may go on to the point of absurdity, because nobody has yet defeated either speculation or other criminal affairs by administrative legal control alone.

[Zholdak] Well, this did not happen during the communist era, comrade former secretary of the Communist Party of Ukraine Central Committee. I maintain this as a former member of the CPSU.

[Kravchuk] The e was another system, a system of a totalitarian regime. Pressure and lawlessness were the foundation of politics.

[Zholdak] Is anything at all allowed now?

[Kravchuk] No.

[Zholdak] Nonetheless, how are we to find bearings for the people so that they will live honestly and happily?

[Kravchuk] There is a way out. We should make a transition to such living conditions that it will no longer be advantageous for people to resell.

[Zholdak] It will not be advantageous when everything that we need appears in stores.

[Kravchuk] This is what it is about. I know from your writings that you have been to Paris. Tell me, did you see speculators on the streets and squares over there? Or did you see these shacks and stands with which the oblast seats, especially Kiev, are strewn?

[Zholdak] Paris and Kiev are not in the same league.

[Kravchuk] It will also be like this here. Ukraine will definitely become as rich as, say, France. Time is needed. The skill of economic management of our people is still the main point. I have met with the former president of Turkey, Ozal. He told me the following story: "Well, our flocks of sheep were driven to Iran all the time. We could not do anything. We set up borders, brought in the police, imprisoned the guilty executives, and so on. Nothing worked. However, what did we do later? We increased prices for our wool and hides. Prices became higher than in Iran. The sheep began to come over to us from there." Only economic instruments may really influence our situation. You see, there are 52 million people, and each of them wants to find his niche in life, including an economic niche. This is why it is impossible for General Vasylyshyn to assign a controller to everyone.

[Zholdak] It is so, Leonid Makarovych. However, when I see this abominable speculation in the streets (they even resell Polit cigarettes) my heart bleeds for the honest people who are being fleeced in this ungodly manner. They make millions in one or two days. May your heart bleed. We should fight such evil resolutely, after all.

[Kravchuk] Not only my heart bleeds. I do not want my heart to bleed....

[Zholdak] I am saying this figuratively.

[Kravchuk] I understand; I want real work to be done. What we are now doing together with Minister Vasylyshyn and head of the SBU [Security Service of Ukraine] Marchuk is real. And we do it with the border guard, the national guard, and customs agents. There is material to disseminate. Consider this, Mr. Editor in Chief, and I

would advise you to inform the people in your esteemed newspaper. This will benefit everyone.

[Zholdak] We have already established contact with General Valeriy Hubenko, commander of the border guard troops, and the head of our state customs, Mr. Anatoliy Kolos. We will provide information continuously.

[Kravchuk] Rightly so. I would like you and everyone to understand one thing: One may work by using these methods on a temporary basis. Why does this not exist in other countries? We want to prevent this under our circumstances. Meanwhile, our efforts should now be focused on production, without ruling out the fight against secculation. I talk about it all the time. Production is falling, but we want to live better.

[Zholdak] So, why is production not growing?

[Kravchuk] Production will increase if the state provides the conditions, and we are now working on it; this is the main point. However, second, when people begin to work as they should. Here is a simple and at the same time complex way out of the crisis for you and for all of us.

#### Will There Be Communism in an Isolated Oblast?

[Zholdak] Mr. President, some power structures in certain regions of Ukraine are looking for another way out of the crisis. In short: As I see it, an intensified campaign from Russified oblasts in favor of the so-called experimental economic separation from the state strikes a blow at our independence. The Crimea has already been let go; the leaders of Transcarpathia have impudently come even to the Supreme Council, and the latter, instead of refusing to even hear about their separatism, up and began to discuss it and take votes. This "independence" petition nearly passed. Odessa with its Mr. Bodelan also plans to build communism in the "isolated Odessa region." Donetsk wants the same. Char ...eristically, Leonid Makarovych, all these authorities are former oblast-level Communist leaders. So, who is pulling apart our state?

[Kravchuk] Let us first determine what "separatism" is.

### **UNSD Leader Outlines Views**

944K0760A Moscow MOSCOW NEWS in English No 7, 18-24 Feb 94 p 4

[Interview with Dmitry Korchinsky, leader of the Ukrainian National Self-Defence (UNSD) by MN correspondent Vladimir Gubarev: "Ukrainian Revolutionaries are Fond of Mao and Mussolini"]

### [Text] What is UNSD?

UNSD is to me Ukraine's only organization for the protection of human rights which is utterly devoted to this cause.

This is the only revolutionary force which engages in real politics. The results of our activity include participation in two wars, organization of scores of strikes and the establishment of the Ukrainian Patriarchate and a military trade union.

#### Who supports you?

We rely on officers' circles and free trade unions.

### What can you say about the relations between UNSD and Ukraine's official leadership?

The Ministry of Justice refuses to register us, and about 15 of our men are currently being detained. But they can't do anything with us, times have changed and our strength has grown. The Ukrainian Ministry of the Interior can certainly muster more fighters than I, but when the minister gives an order he cannot be sure that it will be fulfilled, while I can count on the support of several thousand people who will die and kill without any pay.

#### In what wars did UNSD participate?

We took part officially on the Trans-Dniestrian side in Trans-Dniestria and on the Georgian side in Abkhazia and Mingrelia. We also received some practical experience in Azerbaijan and in the Balkans.

### Why were your men on the Azerbaijanian and not the Armenian side?

We believe that Azerbaijan can become a friendly power to Ukraine, while Armenia is more in Moscow's sphere of influence.

#### Have you come to Moscow for a specific purpose?

My purpose is to search for allies, but I did not expect such a lack of the right people. As a matter of fact I was surprised during the October events how few defenders your Supreme Soviet had. Were it not for its foolish stand on the Crimean question, we alone could have sent more fighters than there were actually gathered at the White House.

MN Note: Shortly before the October events the Supreme Soviet of the Russian Federation transferred one of the Crimea's biggest cities, Sevastopol, to Russian jurisdiction.

### You said once that the Crimea would be either Ukrainian or depopulated. What did you mean?

The Crimea is very vulnerable geographically. Even if there were no UNSD, the rupture of ties with Ukraine would lead to a catastrophe, for transport would not be able to operate and the supply of drinking water and electricity would stop. There would be no need to kill anyone, for everybody would flee on their own.

### It is often said today that Ukraine's statehood will collapse. Do you agree?

We obtained independence much too quickly and had no time to form a revolutionary elite. But the absolute majority of the population is interested in independence.

An isolationist policy is impossible and undesirable, we are against a complete break with Russia, but Kiev must become a new strong geopolitical centre. The slogan of Slav unity remains basic to us, and we do not want Russia to become a battlefield between Jewish and Japanese capital.

Is a coliapse in store for Ukraine? This is hardly probable. What may happen will be rather like the Polish variant.

### Is that why you study the experience of Solidarity?

The most valuable experience for us is that of Lenin and his comrades in 1917.

### Telegraph, telephone, the post and banks?

This is only the beginning of the building of the state. This is what happened in Germany in 1933 and in France when General de Gaulle came to power.

### Who of the 20th-century politicians arouses your warmest feelings?

For UNSD fighters they are first of all Mao Zedong and Benito Mussolini.

MN File: UNSD emerged during the putsch of August 1991 as a force intended to resist the so-called State Emergency Committee which organized the putsch. At present this unregistered militarized organization has from 3 to 5,000 members. About 500 of them took part in local wars. UNSD is amalgamated in the Ukrainian National Assembly. It has nominated 120 candidates, mostly in Western Ukraine, for the forthcoming elections to the Ukraine's parliament.

### Liberal Leader on Russian, Local Elections WS2001113094 Kiev KIEVSKIYE NOVOSTI in Russian 14 Jan 94 p 2

[Interview with Yakov Goldenberg, deputy chairman of the Liberal-Democratic Party of Ukraine, by Vitaliy Vezhnin; place and date not given: "Let Us Shake Hands"]

[Text] A formerly unknown Vladimir Volfovich Zhirinovskiy once invited the Ukrainian liberals to shake hands. His potential allies responded, "We will go the other way."

[Goldenber] This is a very interesting situation. I understand that the Russian media somewhat specifically explain the results of the elections in their country, and openly hesitate to speak of the victory of Yeltsin's opponents. About 70 percent of the local press is subordinated to the president and the government. But what prevents the Ukrainian press from doing this? No publication has asked the Liberal-Democratic Party of Ukraine [LDPU] to comment on this issue. KIEVSKIYE NOVOSTI is a pleasant exception. I will repeat: The situation is paradoxical. Everybody comments on the victory of the Liberal-Democratic Party of Russia [LDPR], except LDPU. And we have a lot to speak about.

Vladimir Zhirinovskiy and his people were very interested in Ukraine at one time, which is completely understandable. They invited the Ukrainian liberals and sought to establish solid ties. We immediately dissociated ourselves from them. This is why: Zhirinovskiy's party was not born in a vacuum. A few people remember its constituent congress. What advertising can do! I am absolutely convinced that it is an offspring of the USSR's special services and those who controlled their activities... It is known that an entire program for discrediting liberalism was once

worked out. Gorbachev's ideas and his famous slogan about socialism with a human face were supposed to be more attractive for the people. Then suddenly, Vladimir Volfovich appears on the political horizon. "There is such a party!" Simultaneously with discrediting the idea, they received an argument with opponents of the multiparty system. It is not enough for you to have one party? You will get one more... There has been no liberal party in Russia after all. LDPR cannot be considered one. Zhirinovskiy's adherents, politely speaking, have nothing to do with democracy or liberalism.

In Ukraine, the situation is different. Our position is in many aspects upheld by the Constitutional Democratic Party and the Party of Free Peasantry. Together, we form the New Ukraine union. Our ideas are close to the Labor Congress of Ukraine and...the Party of Beer Lovers. Do not laugh, there is such a party. There is also the Liberal Party of Ukraine. There is nothing like that in Russia. LDPR is only a name, nothing more.

[Vezhnin] Nevertheless, in my opinion, Zhirinovskiy conducted the electoral campaign brilliantly.

[Goldenberg] I would not overestimate the success of Zhirinovskiy. Initial assessments show that representatives of the red-browns are in the minority in the Russian parliament. The voting was not only on party lists. Nevertheless, I agree that the success of Zhirinovskiy and [Russian communist leader] Zyuganov should be seriously taken into consideration. There are no LDPR structures in Ukraine today.

Yet, another threat exists. The term "zhyrynovshchyna" more and more often can be heard in politicians' lexicon. The Ukrainian legislature is not an exception. As soon as a deputy begins to criticize the party of power, he is instantly tagged: "This is zhyrynovshchyna!" I believe that this card will be actively played before the elections...

There is appropriate ground in Ukraine for those who would like to repeat Zhirinovskiy's success. However, I believe that extremist forces will not prevail.

[Vezhnin] No matter if somebody likes this or not, Vladimir Volfovich has ridden into the Russian legislature on a white horse. What chances will the Ukrainian liberals have in the upcoming elections?

[Goldenberg] Taking into account current realities, I believe that if 35 percent of democrats enter the new legislature it will not be a bad result. We hope that representatives of LDPU will be part of that 35 percent.

[Vezhnin] Do you not think that today's democrats, or more precisely, people who have proclaimed themselves as such, are losing their chances day by day? Let us be frank: Many of them rode into the Supreme Council on the tide of caveman anticommunism, inspiring us, common mortals, for the battle against privileges of the party nomenclature... Today, those democrats enjoy privileges, about which their predecessors could not even dream during the 70 years of communism, and are quite pliable in the hands of the old and new nomenclature. Are there any guarantees

that the total disappointment with democrats will not lead another Zhirinovskiy to the political Olympus?

[Goldenberg] Do you claim that democratic deputies have been bought? This is very sad, of course. It is a pity that this is possible. The explanation is very simple—this is due to our poverty. However, I would like to say something else. The people cannot forgive the deputies corps their cars bought at dumping prices, luxury apartments, and all-mighty privileges... But, nobody has ever admitted that not only certain deputies but also parties have sinned.

Analyze activities of our parties over the last two or three years. Read their various statements. Today, they criticize the president; tomorrow they will praise him for what he did yesterday. The people do not have to believe those who will deceive their expectations tomorrow.

[Vezhnin] If it is not a secret, who does LDPU believe should become president?

[Goldenberg] I will be frank. We would like [former Deputy Prime Minister] Volodymyr Lanovyy to become president of Ukraine. He is a man, to whom, we believe, there is no alternative in Ukraine today.

[Vezhnin] You must agree, that this sounds somewhat bizarre. Your party belongs to the New Ukraine union, whose leader is [former Supreme Council Speaker] Volodymyr Hrynyov. His latest statement on establishing the Interregional Reform Block with [former Prime Minister] Leonid Kuchma gives the former speaker very good chances. Taking into account the fact that Kuchma has recently been elected chairman of the Ukrainian Union of Industrialists and Entrepreneurs, meaning that he has received unanimous support of this significant force, this team looks quite promising. Isn't it more logical to bet on a leader?

[Goldenberg] The Hrynyov-Kuchma bloc undoubtedly has a great chance, and it would be naive to deny this. Still, we are not going to bet on it. We have never considered the former prime minister an advocate of market reforms, and we do not approve of what has recently taken place. This is a mistake. I am talking about Hrynyov's position. The New Ukraine is on the verge of collapse today. This is sad and bitter, but real. Hrynyov's alliance with recent supporters of the nomenclature is a block of individuals, not parties.

By the way, our party successfully cooperates with Vladimir Popov [not further identified] on establishing his electoral bloc. We have been joined by the Union of Private Entrepreneurs, other serious structures, and, of course, the Fund for Restoring Ukraine's Economy.

[Vezhnin] Suppose you have managed to achieve your goals. Who could head the Cabinet of Ministers, given the new president?

[Goldenberg] It is possible that the president himself. He is a determined supporter of market reforms in Ukraine. This would undoubtedly be the most optimal variant.

#### Meshkov Position Seen Delicate

944K0743A Moscow MOSCOW NEWS in English No 5, 4-10 Feb 94 p 5

[Article by Sergei Tikhy: "Crimea Opts for Moscow"; first paragraph is introductory paragraph]

[Text] The second round of the presidential elections in Crimea produced no surprises: 75 percent of Crimea's voters went to the polls and 73 percent of them voted for Yuri Meshkov.

MN File: Yuri Meshkov was born in 1945, his mother is Ukrainian and his father Russian. Graduated from Moscow University's Department of Law. Worked as a senior investigator at the Procurator's Office in Crimea which he was forced to quit because of an attempt to call some members of the party-managerial nomenklatura to account. Spent three years in the merchant marines. Then worked as a lawyer. Is a deputy to the Supreme Soviet of Crimea. Is married and has two children.

His rival, Nikolai Bagrov, polled 23.5 percent. These figures may be interpreted as a result of the referendum on whom Crimea belongs to, the conduct of which was one of the key planks of Meshkov's election programme. In effect, this means that Ukraine has missed its chance to strengthen its hold on the gift presented by Nikita Khrushchev in 1954 (cf. MN No. 3).

The main reason behind such election returns is not the fear of growing Ukrainian influence in all aspects of life, the threat of which was used to scare the electorate (considering that one in five Crimean inhabitants is Ukrainian, only one in a thousand Crimean schoolchildren studies in Ukrainian). The main source of the Crimean electorate's sympathies and antipathies lies in whatever is known all over the world as the Ukrainization of the economy.

Meshkov won, but his victory boiled down to a questionable right to make the first move in a position amounting to a stalemate for everyone.

From his very first day in the post of President Yuri Meshkov will be severely limited in terms of time. Considering the character of his electors (it is easier to lose than win their sympathies), the President will have to work to secure a repeal of the moratorium on the referendum in Crimea so as to hold it on March 27, the day of elections to the Supreme Soviet of Ukraine and Crimea. Otherwise Meshkov risks not only his position, but even the chances for a parliamentary victory by the forces supporting him. Thus, less than two months has been allotted for the creation of the legal basis he has promised to rely upon in relation with Ukraine. Moreover, Meshkov will have to predicate himself on the following real circumstances.

Crimea depends economically to an even greater extent on Ukraine than the latter on energy imports. The question is not about something of secondary importance, but about fresh water and electricity. Crimea consumes one billion dollars' worth of electricity each year alone in terms of world prices. In the course of TV debates, replying to his

opponent's blunt question about what he would do if Kiev cut off the supply of electricity to the Crimea, Meshkov confined himself to general words, claiming that Russia would not abandon Crimea. However, electricity cannot be delivered by tanker whereas the construction of power lines of corresponding capacity across the Kuban and the Kerch Strait will take at least three years.

The fulfilment of even the most fantastic of Meshkov's election promises, like the entry into the rouble zone, will all the same not produce anything economically unless political stability has been guaranteed in Crimea. Without it the peninsula's economic infrastructure, geared mainly to tourism, will be doomed to final degradation.

And besides, the newly-elected President's relations with the indigenous people—Crimean Tatars—have been hopelessly spoiled. The Tatars are today the only ethnopolitical force in Crimea which is organized in support of the status quo regarding relations with Ukraine. They supported Bagrov in the first and second rounds and their leader, Mustafa Dzhemilev, has already stated that Tatars will not regard Yuri Meshkov as their President. The Tatars have repeatedly declared that they alone have the legitimate right to national statehood in Crimea and are prepared to resort to any means should the situation be aggravated.

The results of Crimea's elections have already polarized Ukrainian public opinion. Any extreme moves by Meshkov to implement his programme are dangerous in this situation.

In the past two weeks Yuri Meshkov has publicly said that he maintains excellent contacts with the Russian leadership at the highest level. Though he gave no names, he stressed each time that the question was not about President Yeltsin. In the corridors, however, even names were mentioned—two days before the elections Meshkov cited the following list of his "contractors": Zhirinovsky, Communist Leader Zyuganov, representatives from the Agrarian Party... Unless this is a bluff, the politicians traditionally opposed to Boris Yeltsin and his team have got at their disposal a button with the help of which they can at any moment explode both Russian-Ukrainian relations and the inner political situation in Russia.

### **TV Election Coverage Criticized**

944K0759B Kiev VECHIRNIY KYYIV in Ukrainian 16 Feb 94 p 1

[Article by unnamed correspondent: "First Impressions: Telemarathon on Assigned Subject"]

[Text] A little less than a month remains before the elections to the Supreme Council, but the election campaign is still somewhat like the wind in the forest: there is much noise at the top while all is quiet at the ground level. The average voter has not yet become interested (because he has not had the opportunity) what kind of choice is offered to him today, or why the future Supreme Council will be better than the current one in reality and not in theory. Starting last Monday, then, Channel Two of the

Ukrainian television began to review all registered movements and individuals. The television offered voters live coverage of candidates in the Pryrichnyy election district No. 14.

Let us state from the start that the candidates from that district (as well as their voters) struck out with this broadcast. First of all, because they were the first ones in this telemarathon. By the time the elections come around, the people (at least those who were able to see that broadcast) will have long forgotten their impressions of the candidates. Unfortunately, it fell to that district to go first.

It missed out on the broadcast time, as well. On this subject, candidate Georgiy Andreev declared openly that for this extremely important broadcast the Ukrainian television had purposefully selected the hour in which the smallest possible number of viewers would see their candidates. What is surprising is that under pressure from voters the Ukrainian television changed its schedule for other districts.

Finally, the organization of the broadcast also turned out to be the proverbial first try. The television not only failed to inform viewers about the candidates' platforms (even though the broadcast was called "Candidates' Platforms") but did not even make an effort to represent those respectable people as normal human beings.

Instead of showing us individuals, the program was dominated by guesswork, having put to the candidates a question (which sounded more like an attempt to embarrass them): who is still watching and listening to you?

If the goal of the Ukrainian television had been to discourage them, it achieved it fully.

### State Radio Said to Be Muzzled

944K0759A Kiev VECHIRNIY KYYIV in Ukrainian 17 Feb 94 p 2

[Article by the KNDS Information Press Service: "Rhetorical Question: What Is Happening to the Ukrainian Radio?"]

[Text] The results of diversity which we have inherited from the empire have been seen in the Crimea, where 54 percent of voters trusted Meshkov, a former champion from KGB troops. The current situation in the Crimea could have been avoided if the state had a consistent information policy.

Many journalists, especially those working for the Ukrainian radio, could not passively follow the flow of events. With great difficulty, they were able to make Channel One of the Ukrainian radio very interesting and objective. A wide selection of news, commentaries and programs such as "Independence" and "Two-Way Connection" suggested that the Ukrainian radio was becoming highly professional and national. But it wasn't long before the journalists' freedom and the listeners' ability to get full information were curtailed.

From January of this year, Channel One has changed drastically and for the worse. Many people want to know what happened.

Following staff changes at the State Television and Radio Company, moral pressure became real. It was suggested that the popular program "Independence" should be shut down. The program survived, but some of the people who worked on it had to either bend to the will of the new management or leave. They chose the latter. The time allotted to information and commentary on Channel One was cut to just three hours per day. Most of the air time, just as on television, is now taken up by songs and symphonies.

Who are those new managers who so eagerly promote folklore while at the same time muzzling local information? The first vice president of the company is former party secretary of the television service Zinoviy Kulyk. His experience on the air is limited, but I think many still recall his interview with Mikhail Gorbachev on 7 December 1991. By responding "yes, yes, yes" to Gorbachev's aggressive comments, he greatly embarrassed Ukrainian journalism.

Viktor Pasak is one of the company's vice presidents. He has been on the air much more often than Kulyk. In 1990, when on the initiative of the democratic forces the Supreme Council in Kiev was being picketed and other mass measures were taking place, he constantly complained about their poor behavior from the television screen. More recently, he was the host on the television program "1 December", which was distinguished by its idiosyncratic selection of guest participants. Now, say journalists, he took under his control Channel One on the radio.

This is why interested listeners are now forced to obtain information about the true situation in Ukraine, especially in the regions, either from Radio Liberty or from foreign Ukrainian-language broadcasts. Radio Liberty is not under the control of the presidential cohorts at the State Television and Radio Company, and the new managers have not yet touched foreign broadcasts. Unfortunately, in Ukraine, only a few regions, such as the Donbass, Kiev, the Crimea, Lvov and Chernigov, can receive them.

Today, journalists and sociologists are trying to explain why many people become increasingly apathetic about processes underway in the country, as a result of which centrifugal processes emerge in the regions. On the one hand, the economic situation has an impact on this, but on the other, it is caused by the lack of statewide information policy. The low level of broadcasts compels people to seek information from alternative sources. In the Crimea and Donbass such sources strive to discredit the idea of state and to develop the syndrome of disdain for national essence. Can it be that managers of the State Television and Radio Company do not understand this?

In any case, it is yet another proof that old specialists, trained under the old regime, cannot hold managerial positions in areas that are of strategic importance for the state-building process. Especially not in the economy and

the mass media. Moreover, ignoring the latter leads to losses in the economic sphere.

### **ECONOMIC AFFAIRS**

**Expert Views Energy Crisis** 

944K0762A Kiev VECHIRNIY KYYIV in Ukrainian 15 Feb 94 p 2

[Interview with Yuriy Orobets, candidate in technical sciences, by Roman [Kulchynskyy]: "Expert Opinion: 'Despite Difficulties with Energy Sources, Gasoline Remains Ukraine's Main Export"]

[Text] Gasoline is in short supply, there are shortages of electric power, trains and buses are cancelled, apartments are freezing and television broadcasts only in the evening: we are in the midst of an energy crisis. The nomenklatura blames it on the "disruption of ties" and "collapse of the Union". To explain the true causes of the severe crisis and how it could be solved we invited Yurly Orobets, candidate in technical sciences and a specialist in managing the energy industry.

[Orobets] Our country is not particularly poor in energy sources. Coal deposits alone, even if worked intensively, could satisfy Ukrainian demand for more than two centuries. However, conditions in the coal industry as a whole do not meet current requirements. Twelve 12 percent of mines are older than 50 years, while 60 percent have not been overhauled for the past 30 years. These factors negatively impact on the production of fuel. Substantial investment is also required to modernize the industry.

The outlook is good also for brown coal deposits in the Dnieper basin. Especially since coal can be mined there the cheapest way: in open pits. Experts estimate that brown coal could yield 600,000 tonnes of cheap gasoline per year.

The situation is difficult in the oil and gas industry. The peak of its development in the Carpathian region and eastern oblasts is long past, and Ukraine supplies only 9 percent of its oil demand and 22 percent of its gas needs. It was the discovery of rich deposits in Siberia and Central Asia that lead to the contraction of exploration and development works here. Another negative factor was our ground yield coefficient for oil, which is low (but, nonetheless, twice as high as in the U.S., where geological conditions are similar.)

[Kulchynskyy] What is the cause of the energy crisis in Ukraine?

[Orobets] Supply and demand for energy have developed over the past 30 years without regard for world prices, which have the decisive impact on the development of energy producing and processing operations. This has caused an energy crisis not only in Ukraine and other new countries, but in Russia itself.

The discovery of rich deposits of oil and gas in Siberia led to the intensive production of light products, such as gasoline, kerosine and diesel fuel, and a huge quantity of heavy fuels. Moreover, low yields from refining were tolerated. Ukrainian refineries get only 40 percent of light fuels from processed crude, whereas US refineries get up to 70 percent.

The existence of rich deposits of inexpensive natural gas allowed us to bring gas to most cities and towns, and to use it widely in industry. The low prices on oil and natural gas were based on costs, and not set to match world prices. This principle resulted in the construction of a large number of cheap but wasteful energy using systems.

Unfortunately, delivery of oil and gas to Ukraine is being used by Russia to apply pressure in solving political problems. At the same time, Russia itself is experiencing a profound crisis of oil production. Output has declined by 40 percent. Therefore, from every point of view, Ukraine must find a general solution for other sources of energy.

[Kulchynskyy] What is the outlook for the development of hydroelectric and nuclear power?

[Orobets] Ukraine has resources to develop nuclear power, but the entire processing plant of the nuclear power industry is based in Russia.

As to hydroelectric power, our low-lying country with slow-flowing rivers would limit the development of this type of energy. This is why hydroelectric plants produce only 4 percent of power while their reservoirs take up hundreds of hectares of some of the richest black soil in the world

[Kulchynskyy] Recently, in this country and the world over, the idea of using alternative sources has become popular.

[Orobets] The most realistic sources of alternative energy are, in practice, the energy of the sun, the wind, sea waves and photosynthesis. Unfortunately, it is not always possible to tap solar and wind energy. From the practical point of view, it is necessary to know exactly how much capacity must be in reserve for the period when there is no sun or when it goes behind clouds, or when there is no wind, and how long it will last. Taking into account these details, as well as the great expenditures required for the mass production of generating equipment, commercial production of this "free" energy turns out to be considerably more expensive than traditional sources. Along with winddriven generators, the most promising is research in the production of fuel using photochemical and photobiological processes. Also, sun batteries can be used effectively. By the way, Ukraine produces and profitably exports them. Using alternative sources, the problem of supplying energy to some remote sites can be easily resolved.

[Kulchynskyy] In your opinion, can the energy crisis be overcome, or at least mitigated, using domestic capabilities?

[Crobets] Of course. To do this, we must first of all reorganize import and export of petroleum products. Despite difficulties with energy sources, gasoline remains Ukraine's main export. The theft of national property must be decisively stopped. Moreover, for various reasons, energy is used very ineffectively. Measures to save energy

can be divided into two categories. The first category consists of organizational measures, which entail the introduction of strict discipline and order in industry. The second category is the development of technical measures to reduce energy intensity in industry. The first category of measures can be implemented very rapidly. Moreover, privatization would accelerate this process. This can save 5-to-7 percent of electric power and 10-to-15 percent of energy used for heating. The implementation of the second category of measures will bring results that are 2-to-3 times greater, but here, major investment and considerable reconstruction will be required.

Ukraine is building an oil terminal near Odessa, the first line of which will begin operation in October of this year. We must also explore the possibility of bringing in oil through Baltic ports, using the pipeline system in Belarus. In the future, we could expert light fuels produced by the excess capacity of our refineries. For this, however, investments are necessary to raise yields. It is extremely important to reduce the use of gas and heavy fuels in producing electric power. The necessary condition for this is to modernize our coal-burning plants, first of all by installing boilers using nontraditional methods to burn solid fuels with a high soot content. But Ukraine produces no such boilers.

[Kulchynskyy] What would you like to see happen in the industry?

[Orobets] To rebalance our fuel and energy complex will require much work and, as you have already seen, considerable investment. To attract it, we need a strong government comprised of specialists and reformers whose deeds would not differ from their words.

Hrynyov, Pynzenyk Discuss Economic Reform WS2001091594 Kiev KYYIVSKA PRAVDA in Ukrainian 13 Jan 94 pp 1, 2

[Commentaries by Volodymyr Hrynyov, leader of the "New Ukraine" coalition, and Viktor Pynzenyk, chairman of the Ukrainian Fund for Supporting Reforms, edited by H. Pyvovarov: "Do We Have a Chance To Stop our Fall Into the Economic Abyss?"]

[Text] I asked Volodymyr Hrynyov, leader of the "New Ukraine" coalition, and Viktor Pynzenyk, chairman of the Ukrainian Fund for Supporting Reforms, to answer the following three questions:

- 1. Do you see a way to resolve the current critical situation?
- 2. Under simultaneous inflation and stagnation, is it expedient to regulate the monetary-financial system without reanimating industries and agriculture?
- 3. Is it expedient to introduce the hryvna [national currency] under the current economic circumstances?

Volodymyr Hrynyov: "People Cannot Stay Long in an Abyss of Despair"

1. Before answering this question, I want to ask another one: What kind of reform did Gaydar carry out in Russia? People call it shock therapy or monetarism, but it is the

pace of reform that matters. Gaydar's reforms were rapid from his point of view but slow from the perspective of their objective necessity. In my opinion, reform in post-communist countries can only survive if it is carried out expeditiously, because people cannot stay in the abyss of despair too long. Of course, society is not a column of soldiers where everyone can be put in one line and told to move in one direction. Well-being of all its members cannot grow simultaneously. Some people are bound to get rich quicker, while others will get more and more poor; inefficient enterprises will be closed down, and unemployment swell. Unfortunately, nobody ever invented a way to realign the economy to market tracks avoiding social cataclysms.

Analyzing the situation in Russia where reform, unlike in Ukraine, was finally launched, one comes to the conclusion that it did not start there on time either. Financial stabilization was carried out in fits and starts, and was accompanied by cases of credit emission.

I am referring to the mistakes in Russian reform to avoid similar ones in Ukraine. The first conclusion is—reform must be carried out promptly. However, how rapidly should this be done to avoid social flare-ups?

Being a technocrat, I know that sound travels at different speeds in different media and attempts to accelerate this process may ruin the latter. The same can be said about reform: It should be carried out as rapidly as the social situation and people's mentality allow it. As I said, there always will be people dissatisfied with the heavy burden of reform. Thus, economic reform should be carried out on the "threshold" of people's patience and readiness to carry its weight. If reform slows down, this may lead to the accumulation of discontent and thus, disrupt the process. At the same time, excessive speed of reform may result in the people's failure to understand the cause of the former.

I understand that your question is: What should we do in Ukraine to prevent this? In the first place, privatization must be carried out expeditiously. Ukraine is mature enough for mass privatization. One might say that in the West this process lasted decades. However, there is a big difference between us and them. Private property in the West has long existed and a normal process of economic development is under way. Thus, the Western variant of privatization involves the selling of facilities that have not been privatized by now. They have nowhere to hurry, while we want this process to be carried out rapidly. Why? Because we need a stratum of owners for alleviating social tension. Owners are quite different from beggars who have nothing to lose other than their chains.

The second important aspect is the creation of a land market. This market should not be limited to rural areas; land should also be sold in urban areas, where enterprises should be sold along with land to private owners, including foreigners. Today, we have the potential to inject financial means in the economy by using the real resources that we possess, including land, enterprises, and real estate. These are noninflationary means facilitating structural reshaping of which much is being said and little done.

I understand that we cannot embrace the entire economy with these stabilizing measures, and I have always advocated the forming of "stability islands" as the first step. Hopes that the economic giant malformed and destabilized for 70 years can be brought back to its feet in one rush, are futile. At the same time, we can initiate this process in special economic zones and territories where market mechanisms will be launched, including the functioning of securities, shares, bonds, and other components of a normal economy.

Yet, sticking to the ideology, we have been stubbornly trying to revive our economy by macroeconomic means. This is doomed to failure. Whether we want it or not, we will have to begin with reform in regions and stabilize the economy "bit by bit." This should be done on the basis of the entire system of markets—those of land, capital, real estate, labor, and products.

2. We have always been told that priority should be given to production. This has become a part of our socialist mentality. Proceeding from this postulate, we have tried to expand production and now, we are as ardently attempting to save the latter. Yet, let us answer this question: Why save it? What advantages is this going to bring? Only those enterprises should be preserved that meet peoples' demands. We have no way to maintain production, other than subsidizing priority enterprises and branches vital for the economy. All others must take care of themselves.

Our "care" for production results in destroying the economy. In market economies the main goal is to sell a product not just manufacture it.

The rapid formation of a class of owners is not sufficient for enhancing the efficiency of production; on the contrary, this might have the opposite effect. However, this is a precondition for the optimal use of privatization money. This money can be spent on modernizing the capital stock and introducing new technologies. Enterprises will begin manufacturing products for which there is a demand, which can be rapidly sold and yield high profits.

This means that privatization is a priority in the creation of a market economy that would be stable and efficient. A land market is a necessary prerequisite for financial stabilization. An intensive flow of capital will create noninflationary sources for the structural reshaping of the production sector.

Finally, we should constantly explain to the people the meaning of all measures taken to reform the economy. Only then, can reform be carried out firmly and rapidly, supported by a majority of people.

3. The exhaustion of the coupon has become evident. This is why the demands to urgently introduce the hryvna are becoming louder and louder. Hopes that the new monetary unit will resolve our financial problems are very naive.

The power of national currencies does not depend on what name is printed on a piece of paper, but what material wealth backs it. Russia's raw materials, although sold at dumping prices, serve as the basis for the ruble. What basis do we have for stabilizing the hryvna? Our products might

become such a source of stability, but only after they become competitive on foreign markets.

### Viktor Pynzenyk: "Not Until We Stop the Printing Press..."

1. The opinion that we do not know how to overcome the acute crisis appeared not due to a lack of programs or their erroneous nature, but due to a stalemate ir implementing them. Thus, the question is not how to exit the situation but how to persevere in reshaping the economy.

There can be disputes over the sequence of reforms, but stopping the money-printing press is undoubtedly the first thing that must be done. Without this, fighting inflation is out of question. Trillions of karbovanetses are being printed every month. Production is not expanding, while the volume of money in circulation is increasing on a daily basis. This results in skyrocketing prices. The postulate that the more money is printed the larger the purchasing power, is false. We cannot consume more products than we manufacture. No matter how often the price of bread is increased, the number of loaves will not double.

The budget deficit is one of the main causes of the increased printing of money. Our state's money supply is represented by two components: 20 percent of it is cash, and 80 percent noncash money. Suppose, the National Bank declares that they are putting an additional two trillion into circulation. In fact, this money is not printed; it is only added to bank accounts. Thus, by stopping the printing presses we will deliver a heavy blow to the budget deficit.

This cannot be done instantaneously, just as it is impossible to stop a speeding car at a moment's notice. In the economy, we need time to gradually slow down the process of printing money and thus, curb inflation.

Financial stability will limit credit emission and reduce budger expenditures. On the other hand, bureaucrats will be devoid of the possibility to abuse authority and embezzle state property.

Having stopped the printing of money we will eliminate profiteering on inflation processes. Take this example: A state-run store purchases a shipment of recorders costing 100,000 karbovanetses each and then holds off on selling them. Due to inflation, the price hits 300,000 by the end of the month. Will the store sell the recorders at the new price? This will bring no profit. They make a deal with a private store owner and sell him the recorders for 300,000 a piece. In this case, the state and private storekeepers will each receive 100,000. Such redistribution of profits has become a commonplace phenomenon. The larger the difference between the purchase and selling price, the larger the "shadow" redistribution. In this case, administrative control is helpless.

The solution lies in privatization and the appearance of private owners. The latter will not let anyone profit at his expense. He will officially conduct the revaluation of his products, being interested in earning more money. He will also pay a higher tax to the state.

Ukraine also needs major changes in the sphere of foreign economic activities. We are in need of so many different products, especially power resources! However, we need larger exports to have money to buy more products abroad. Our exports are tied up with quotas, licenses, and taxes. Today, when prices on domestic and international markets are commensurate, there is no economic justification for preserving quotas. The only way to regulate exports is by increasing export duties.

Returning convertible currency to the state is an important problem. When people know for sure that their hard currency assets are not devaluating, bringing money back [to Ukraine] will be advantageous. Otherwise, the mass flow of capital out of the state will continue. Only economic stabilization can bring the money back.

Due to ill-suited foreign economic policies, exporting products becomes unprofitable. Buying hard currency from producers at a fixed price, the state has in fact imposed an additional export tax. Who will trade with foreign countries under such conditions?

This brings us to the idea of a deregulated exchange rate for hard currencies, which is a normal measure throughout the civilized world. Now, the question is how to make imports advantageous for the state.

Suppose I have received money for purchasing oil, but buy cigarettes and chewing gum instead, claiming that my counterpart abroad has no oil. In this case, economic mechanisms should be enacted, including high customs duties of 100 or even 200 percent. This is the way to protect native producers.

A lot of economic notions meet with uncivilized perverted interpretation in our state. Accompanied by credit emission, the deregulating of prices is lethal for society in the current situation. When we manage to avoid emission, the situation will normalize. How?

If I have 40,000 karbovanetses in my pocket, no matter how hard you try you cannot take more out of it. Setting prices free and limiting emission will reduce demand and curb prices. However, so far, we have been limiting cash payments by limiting wages, while noncash emission has been at the same level. Thus, wholesale prices have been increasing bringing about increases in retail prices.

Neither should we be afraid of bankruptcy. Thousands of enterprises go bankrupt in the United States every year. Bankruptcy in market economies merely amounts to a change of owners. A new owner comes, injects new funds, reorganizes and modernizes the enterprise and technologies, and the enterprise becomes profitable again.

2. Regulating the monetary-financial system without reanimating industries and the agriculture is impossible. What are the advantageous spheres of activity these days? Production is not one of them, because it entails huge expenditures and does not rapidly yield profits. This explains the recent dramatic decline in investments. Given our high inflation that exceeds interest rates on credits, it has become very profitable to buy products and keep them.

First, measures must be taken to make subsequent selling of the same product unprofitable. To achieve this, the interest rates on credits should exceed inflation. This will resolve the problem of people's savings. People will find it advantageous to deposit money in banks aware that in a year they will be able to buy more for the same sum.

If inflation is reduced, so will interest rates. Then, investing in production may become profitable again unlike middleman operations. Thus, we can revive production only by stabilizing the financial system.

3. Ukraine has its currency called the coupon, while its noncash equivalent is called the Ukrainian karbovanets. Calling it dollar or hryvna will not change the situation. The power of money does not depend on its name; it depends on the state's policy toward it. What will the introduction of the hryvna change if the printing press is not stopped? Thus, it is a delusion to believe that a change in the name of Ukraine's national currency will improve the economic situation. I am afraid that this populist step will be made. The hryvna's introduction has been so much talked about that people started to pin their hopes on it. However, no such experiments should be conducted with people.

First, we must halt inflation. Italians, Poles, or the Japanese are not worried over the exchange rates of their national currencies because these rates are stable. Neither would we worry had the price of the U.S. dollar in Ukraine been stable. What ails me however, is that the printing of money is devaluating the coupon more and more. Under these conditions, the fate of the hryvna will be the same.

Our experts have lately been moving toward confiscationlike monetary reform. The claims that this alone can stabilize the national currency are ridiculous. They believe that 9 trillion karbovanetses are "wandering" in Ukraine. On the one hand this is not a huge sum, taking into account current inflation rates and prices. On the other hand, this money is not "wandering," because people prefer to buy a couple of dollars to save their money from inflation.

There is no technical justification for this kind of fiscal reform. This would be a merely technical act: 10,000 coupons will be exchanged for one hryvna and the latter will be declared hard currency. However, over one month inflation will "soften" this currency so much that the hryvna will have the same "battered look" as the unliked coupon.

Money printing is a continuous process—once you do it you cannot stop. The hryvna can only be introduced after inflation is curbed.

### **BELARUS**

Trade Union Leader on Organization's Policy WS2601190094 Minsk SEM DNEY in Russian 24 Jan 94 pp 1, 9

[Interview with Vladimir Goncharik, chairman of the Belarusian Trade Union Federation, by Galina Nikolaychik; place and date not given: "Strong Power Always Needs Strong Trade Unions"]

### [Excerpts]

[Nikolaychik] Trade unions believe that it is their obligation to respond to every harsh measure taken by the government by way of declarations, protests, and strikes. However, one gets the impression that this is like tilting at windmills: The government pays little attention to the reaction of the most numerous public organization in terms of membership. How do you assess relations between trade unions and the government? Are you satisfied with them?

[Goncharik] I am dissatisfied because I believe that the results of our dialogue could have been weightier. This will be possible only when the government reviews its economic and social policies, and introduces serious corrections to the latter in accordance with our postulates. We have certain accomplishments, but soaring prices and inflation only nullify them. For example, on New Year's eve, we were informed of the planned threefold increase in prices for dairy products and municipal services. This is being done when enterprises face work stoppages and workers are not being paid. The Trade Union Federation Presidium called a session and adopted an appeal in protest against these measures. The government backed out and the price increase was postponed. We understand that the postponement is temporary, but given the fact that the Supreme Soviet has rejected our proposal to establish the minimum wage of 35,000 rubles as of 1 December, our fight was not futile.

[Nikolaychik] Do you correct your strategy and slogans taking into account the experience of your struggle?

[Goncharik] You might have noticed that the federation has altered its position—while maintaining our economic claims we have decided to concentrate our efforts on resolving more global issues. Some branch trade unions are demanding wage increases. However, without making our production more efficient, this measure will only fuel inflation and become a heavy burden on all of society. Competent legislation is one of the factors that can facilitate the development of production. In light of this, we are actively working at Supreme Soviet sessions along with industrialists and entrepreneurs drafting documents regulating taxation and favorable credits. Discussions are under way regarding the adoption of a general agreement between the government, trade unions, and employees. In particular, we have agreed to include in this document the share of wages in the gross domestic product (it was decreased from 26 to 19 percent).

Another thing that I would like to point out is that disregarding reproaches voiced by many parties, we have put forward political claims. This does not contradict our charter which says that we can participate in elections.

[Nikolaychik] Opinion polls conducted by trade unions have demonstrated that more than 700,000 voters advocate early elections. It is strange that this figure made no impression on the deputies who behaved as though nothing really happened.

[Goncharik] These 700,000 voices will sound again when the session resumes its discussion of elections. The more so that Lukashenko's anticorruption report did not contribute to the prestige of power. We are receiving letters from enterprises and very often only 10 people out of 2,000 oppose early elections.

Only a blind man fails to see the abnormality of relations between the Supreme Soviet and the government. It is really unnatural that the parliament and the government have diametrically opposing viewpoints regarding many issues of vital importance, including relations with Russia.

The new legislature will form a new government, but this does not mean that everybody will be discharged. People able to work and think will confirm their right to be deputies, ministers, and the like. Many deputies support the idea of early elections and suggest a mechanism for holding them. However, when these people gather in the session hall, the instinct of self-preservation prevails. I think there are two reasons for this: Many deputies simply fail to comprehend the danger of the current situation in the Republic, while others are trying to keep their cushy jobs.

[Nikolaychik] Suppose early elections are called. What stance will trade unions take; what political parties will they stake? You, for one, are known to support the Social-Democratic Assembly....

[Goncharik] We support this party's socioeconomic platform. The Trade Union Federation is now drafting its election platform. The system of elections is also relevant. Most likely, the elections will be held in districts with candidates being nominated by parties. This is why we are considering the possibility of electing people with similar standpoints to the new legislature. Our goal is to have a group of workers in the Supreme Soviet.

We will seek support from centrist parties—the Party of People's Accord and its social-democratic wing, the Scientific-Industrial Congress, and the Labor Party. The formation of a trade union party—the Democratic Labor Party—is currently under way. We will support this bloc. Our platform stipulates a socially oriented market economy with active protection of workers' rights and guarantees of their well-being. We want Belarus to be a flourishing state; that is why we have suggested that aside from the definitions "unitarian" and "democratic," our constitution includes formulas such as "social" and "sovereign".

[Nikolaychik] Judging by our conversation, there is no incongruity between trade unions and politics. Could trade unions assume responsibility for the state of things in Belarus?

[Goncharik] I do not think such a situation is possible in immediate future.

[Nikolaychik] Even theoretically?

[Goncharik] I am not an advocate of such a solution. Everybody should perform his functions. Our political activities are limited to participation in elections and electing politicians able to meet working people's demands. The experience of Poland demonstrates that under certain circumstances, trade unions can come to power. However later, they begin to fight trade unions. I also know this from the Israeli experience. The Israeli Trade Union, Gistradut, and the Labor Party are in fact one body. They have come to power and are facing problems. The state has specific restrictive functions that do not coincide with interests of groups and organizations. Clashes are inevitable. [passage omitted)

[Nikolaychik] How do you assess prospects for the development of the ruble zone?

[Goncharik] There are no doubts that today we should follow this path. We can waste no more time. For a certain period, people will feel an improvement; products will become cheaper and mutual payments will be simplified. However, what will happen then? We should make good use of the breather we will get. If we want Belarus to become a sovereign state, the Republic should adopt a national currency sooner or later. If we follow the path of simple integration in Russia's economy, we must accept political integration as well. Our sovereignty will be very feeble; we will become Russia's appendix and autonomous part. In my opinion, this would be a very dangerous scenario. We need political wisdom to walk this slippery path and not fall into an abyss. The Belarusian people are historically oriented toward Russia. Enterprise managers unilaterally support a union with Russia. However, we must pursue our national interests and sovereignty must be the cornerstone of our policy.

Envoy to UN Discusses Country's 'Hardships' WS1802160094 Minsk ZVYAZDA in Belarusian 5 Feb 94 p 1,2

[Interview with Alyaksandr Sychow, Belarusian Ambassador to the United Nations, by Leanid Lakhmanenka; place and date not given: "United Nations Is Currently Experiencing a Renaissance, and We Should Take Advantage of This for the Lenefit of Belarus"]

[Excerpt] Alyaksandr Mikalayevich Sychow is a professional diplomat. He was born in Homel, where he completed his high school education. He graduated from the Moscow Institute of International Relations. Sychow has been working at the Belarusian Foreign Ministry for 15 years. He has gone up all rungs of the diplomatic ladder, from attache to deputy foreign minister. He worked at the

Belarus Diplomatic Mission to the United Nations and other international organizations in Geneva. Alyaksandr Sychow speaks English, French, and Spanish.

[Lakhmanenka] Alyaksandr Mikalayevich, what is the attitude of the United Nations attitude toward Belarus in general? I believe that it is not very good. I have drawn this conclusion, for example, from the fact that the amount of our financial contribution to the United Nations has been increased at a time when our economy is being transformed into a market economy, and our Republic is spending huge amounts of money on eliminating the aftermath of the Chernobyl catastrophe. Now we are supposed to contribute more than certain other European countries, that are in much better shape than we. Why? I have the impression that you have been sent to New York to ease the situation. Is that true?

[Sychow] I believe that the world's attitude toward us, and the way we are treated by international organizations, reflects the real position of Belarus in the international community. To say that we are treated by them deliberately unfairly is, to say the least, unjustified. I must, however, frankly admit that we have certain grievances against the United Nations.

The news about the increase in our contribution to the UN budget was received rather bitterly in our Republic. I think that the UN General Assembly was too formal when it voted on the increase. The same lot also befell our southern neighbor Ukraine and other republics of the former Soviet Union. If you do not mind, I would like to dwell on this issue, particularly since this has not always been reported or described objectively, including by the press.

[Lakhmanenka] Excuse me, but I think that our readers would also like to know your viewpoint. Although much has been said about this unpleasant surprise, people do not know enough about all the reasons behind this—to put it politely—unpopular UN decision.

[Sychow] There are several aspects to this problem. When the distribution of the Soviet Union's contributions among the countries established on the territory of the Union was discussed, the UN Committee for Contributions dealt with the issue mechanically. An entire range of procedural and methodological miscalculations and errors were committed. Moreover, the committee fulfilled the recommendation of the so-called "powerful" states which did not want those contributions to be distributed among other UN member states.

According to procedures, additional contributions by new members and the amount that is lost when a country leaves the United Nations should be dealt with and distributed taking into account the entire amount of the contributions. As a matter of fact, the amount would have had to be reexamined, and this, believe me, is very hard work. The committee, of course, preferred to avoid this task.

Russia's stance played no small role in this. The Russians wanted to shed the financial responsibilities inherited from the USSR as quickly as possible.

It was not taken into account that Belarus and Ukraine were among the founders of the United Nations. Nobody

paid attention to the fact that the UN General Session, which preceded the UN General Assembly, had earlier defined Belarus' contribution at 0.31 percent of the UN budget.

What did the committee recommend in this situation? It distributed the Soviet Union's contribution among the former Soviet republics in the same way as the USSR's foreign debt was divided among the CIS countries. To avoid additional contributions, Belarus and Ukraine were included in the list. This was improper in terms of legality and procedure.

An abnormal situation was thus created. Belarus and Ukraine, countries that had been among the founders of the United Nations, were treated like new members.

There is another interesting aspect to this issue, which is glossed over in silence by media observers. Today, the issue of Belarus' contribution is being related only to the activities of the Foreign Ministry, while the most important fact is being kept concealed: The contributions by a member country are estimated on the basis of its GNP, its population size, and the ruble's exchange rate against the dollar for the last ten years of economic development.

It is 1994 now, and the basis for estimates begins from 1984. The economic performance of our Republic was different then. Therefore, the economic situation in Belarus looks generally better than in Greece, Hungary, and many other countries. As you know, the economic situation is actually not so rosy in Belarus.

The reasons behind the overestimated contribution lie in the Soviet heritage and statistical data that did not reflect the levels of economic development. Do you think it is easy for the Foreign Ministry and its officials to defend their position on the contribution when there are no reliable state statistics?

On the other hand, although the Baltics—Latvia, Lithuania, and Estonia—believed that their contributions would amount to 0.01 percent, they are, respectively—0.13, 0.15, and 0.07 percent. It was the same situation with Kazakhstan, Moldova, Uzbekistan, Ukraine, and other CIS countries. In those countries, however, they are not looking for scapegoats, but are trying to put together appropriate statistics.

The issue of contributions to the UN budget is very complex, and is connected with the activities of various state institutions, first of all, the State Committee for Statistics, the Finance Ministry, the State Committee for Economic Planning, and the National Bank, which define the above-mentioned figures.

[Lakhmanenka] As they say, what happened, happened. Has our country really put up with this unfair decision? Is there nothing left for us to do but wave our arms in a gesture of helplessness?

[Sychow] Of course, we will not be sitting idly, as certain politicians and observers are predicting. First of all, the Republic of Belarus has not recognized this decision, and it is not going to pay the contribution that was calculated according to the reexamined scale. Moreover, we have not recently transferred a single dollar of the additional amounts to the UN accounts. Our Republic endorses the special position on financing peacekeeping operations from the UN budget.

Thanks to the efforts of our diplomats at the latest UN session, recommendations for formulating a new scale of contributions for 1995-1997 were approved, and the methodological mistakes that were committed with regard to Belarus and Ukraine will be taken into account in the future. This way, perhaps the entire scale of contributions will be reexamined. However, we see certain obstacles that are connected with the data on our economic development. Compromise has almost been reached that the basis for calculations will be reduced to seven or eight years. This gives good grounds for reducing our contribution to the UN budget.

[Lakhmanenka] Well, although the problem of contributions has been more or less clarified, it is still not clear how we were "routed" in the elections for the UN Security Council. Belarus, as you have already said, is one of the UN founders. All Belarusian diplomacy was connected with the activities of UN international bodies. The Republic's image in the eyes of the international community is quite good following its abandonment of nuclear weapons, and suddenly such a failure occurs. Why?

[Sychow] I would not dramatize what happened in the elections and say that it was a big failure that Belarus was not elected a member of the UN Security Council. The defeat of any state in the elections is not considered by the United Nations as something extraordinary. For instance, Sweden, which commands great authority and has been neutral for a long time, lost in the elections to New Zealand. Nevertheless, Sweden has not lost its world prestige and influence.

We have analyzed the situation very carefully and have drawn our own conclusions. I would like to point out that the results of elections reflect the actual rating of Belarus in the world. This is a specific evaluation of our country. However, we also see this as a certain line in relations with CIS countries. For example, Kazakhstan lost the elections for the UN Economic and Social Council, and Russia was not elected chairman of the UNESCO Executive Council.

Regarding these elections, the principle of rotation was breached in our regional group. There is a UN rule that candidacies are discussed in regional groups. For example, along with the West European, African, Latin American, and Asian groups, there is also the East European one including Belarus. Earlier, it comprised 10 countries, now it has 20.

Every state has the right to be represented in the Security Council. We applied for membership in the Security Council in 1987. Prior to that, Belarus had only once been a member of the council—from 1974 to 1975. It must be said that we always respected other countries and made room for them. This time, however, we decided to put forward our candidacy.

Later, Czechoslovakia also proposed its candidacy. When such a situation occurs, it should be discussed within a group to avoid extensive competition. In the first place, we agreed with Czechoslovakia that it would withdraw its candidacy for our benefit, since it had already been a member of the Security Council two times—most recently from 1978 to 1979. Certain countries from our group have been members three or four times.

Czechoslovakia, however, was soon divided into the Czech Republic and Slovakia. The leadership of the Czech Republic decided to argue over seats in the Security Council. Although we held numerous consultations with the Czech Foreign Ministry, we did not reach any compromise.

[Lakhmanenka] These are very interesting details. We do not know much about the mechanism of UN operations. I think that the Czech Republic won the elections not only because it put forward its own candidacy. It also conducted a secret electoral campaign, as everybody knows.

[Sychow] The situation that existed in the United Nations at that time did not guarantee us victory. Many subjective and objective reasons prevented our victory. I would relate the subjective reasons to the fact that Belarus' contribution to the improvement of global security and disarmament is not adequately appreciated in the world. The West's rigid assessments of Belarus' economic and democratic reforms and statements that we are following Russia's foreign policy also played an important role. I do not, however, agree with these opinions. Unfortunately, all this was taken into account during the vote.

The lack of ability to conduct appropriate work at our embassies was the real reason why we lost the electoral race to the Czechs. Wile the Czech Republic has more than 70 embassies, we have only 14.

We must also not forget the popularity of Czech President Vaclav Havel as a politician and a person. The activeness of the Czech side was amazing. On the eve of the vote, the Czech prime minister toured Latin American countries where he tried to garner some support. During the last three days before the elections, the Czech side conducted intensive preparations and even "worked on" certain politicians. Havel telephoned [former Supreme Soviet Chairman] Stanislav Shushkevich. The Czech authorities even sent a special envoy to Stanislav Shushkevich to influence him.

Our side did not show such activeness. The work was conducted at the level of prime minister and foreign minister, and when we asked the Supreme Soviet chairman to send a letter to the Czech president, he refused to do so.

[Lakhmanenka] In my opinion, you did not mention yet another important reason behind our hardships in the United Nations. Belarus was too long hidden under the shadow of the USSR, and it always played into the latter's hands. This made people suspect that we would continue to do the same.

[Sychow] I would not be so adamant on this issue. Naturally, all our activities were coordinated and approved when we were in the USSR. However, even then our Republic came forward with many resolutions and initiatives that were later adopted by the UN General Assembly, including the resolutions on Nazi criminals, new types of weapons of mass destruction, disarmament, human rights, scientific progress, etc.

[Lakhmanenka] Perhaps you are right. Nevertheless, the experience of Belarusian diplomacy was reduced to participation in international organizations, and it was gained during the Cold War, a period of confrontation between the two former camps of capitalism and socialism. Although these camps no longer exist, the "combat" experience still remains. Does this not disturb our diplomats?

[Sychow] I do not agree with you. We do not have experience in bilateral relations. Belarus' achievement is undoubtedly it participation in multilateral diplomacy. This valuable experience is very useful for us today. Other countries of the former Soviet Union, other than Ukraine, do not have such experience.

As a professional diplomat, I am very concerned by the fact that we do not have enough cadres. We have a chronic lack of specialists. At the Foreign Ministry, people work 12-14 hours per day for a pitiful salary. It is the same situation in our foreign missions.

Our ministry employs only 125 people, while foreign ministries of the former Soviet republics employ three or four times as many, not to mention Russia. How can we work efficiently if we do not even have one expert for each country, not to mention the legal and legal treaty work and economic diplomacy that we should actively develop. We generally rely on enthusiasm today. I believe that the Supreme Soviet and the government should pay more attention to Belarusian diplomacy, because it is impossible to solve the numerous problems facing our Republic with our scarce resources. [passage omitted]

### **ESTONIA**

### Official on Unemployment Situation in Tallinn, Other Cities

944K0728A Tallinn ESTONIYA in Russian 17 Jan 94 p 4

[Interview with Margus Zakharov, general director of Labor Market Department, by Gratsian Olshak; date and place not given: "Is Unemployment on the Wane?"]

[Text] How did the year go in the labor market? According to some forecasts, unemployment in Estonia was supposed to have reached disastrous proportions by the end of the past year. Specific figures were cited: The number of unemployed could reach as high as 200,000. Fortunately, the predictions did not come true....

### General Director Margus Zakharov of the Labor Market Department answered our correspondent's questions.

[Zakharov] To tell you the truth, we also expected the unemployment curve to start creeping upward in November, but we were wrong. I hope this does not sound incompetent, but we still do not know why the anticipated rise did not occur. There were tendencies toward this. Last year there were almost twice as many graduates of academic institutions and training schools, and they might have been expected to remain jobless. Our strained relationship with our neighbors, especially Russia, also could have caused a rise in unemployment—and an extremely

substantial one at that. Russia's harsh measures terminated the livelihood of the people who were buying goods there and selling them in Estonia and engaging in petty contraband across the Russian border. These people, however, had acquired the kind of skills and experience that are appreciated by the new generation of employers, and they were not left jobless either.

Today we can say that what we are experiencing is not mass unemployment, but a structural variety of unemployment. In other words, a certain segment of the population is not working, but the number of job vacancies is quite high. Sometimes employers complain that they cannot find the right people for these jobs. To meet job requirements, the people who are out of work have to undergo retraining and change their views and attitude toward work.

People in Tallinn, incidentally, have already realized that they are personally responsible for their employment status and that they have to learn and master new occupations. This process has also begun in Narva and Sillamae. After all, Ida-Virumaa was also responsible for the lower rate of unemployment in the republic as a whole.

[Olshak] Has the center of unemployment moved from northeastern Estonia to the south?

[Zakharov] Yes. The Estonian population of those regions, in contrast to the Russian-speaking residents of Ida-Virumaa, were not ready for this. The situation there today is quite stressful. People in Narva and Kohtla-Jarve knew they might lose their jobs and were emotionally prepared

Situation in Tallinn Labor Exchange by Months



Key: A. November B. September C. August D. May 1. Looking for work 2. In training 3. Assigned to training programs 4. Unemployed 5. Assigned to temporary positions 6. Placed in jobs 7. Vacancies

for this. Just a year ago, the resident of southern Estonia, on the other hand, was certain that he would still have his job even after others had lost theirs. The total number of unemployed people in Vorumaa today, however, is equivalent to more than 6 percent of the able-bodied adult population, and the figure is around 4 percent in the Polva and Valga districts. For the sake of comparison, the rate of unemployment in Narva is only around 1.5 percent.

[Olshak] But we have also heard other figures for Narva, and some have been absolutely unnerving....

[Zakharov] I have to say this: I do not like it when people use unemployment statistics and play political games with human emotions in pursuit of their own goals. This is what happened in Narva and Ida-Virumaa. Unemployment was the stick with which politicians threatened the people. There is no question that things were difficult at the Krenholm factory and that many jobs were cut, but some people in Narva were actually fanning the flames: Everyone would be fired and no one would be paid any wages.... Meanwhile, the situation was even more critical at the "Dvigatel" plant, where there are, incidentally, just as many workers as at the Krenholm factory. Furthermore, the situation in Tallinn as a whole was no better than in Narva. People were being laid off from the shipyards and many other enterprises in addition to the "Dvigatel" plant.

People use different unemployment figures, but we should confine our discussion specifically to the people who are actively seeking jobs, are willing to begin work right away, and have applied for job placement services. If a person is actively seeking a position calling for his level of energy and knowledge, he is certain to be included in our statistics. Today there are 15,000 unemployed individuals in the republic—i.e., people collecting unemployment benefits—and another 18,000 who do not qualify for these benefits yet but have already asked for our help.

[Olshak] Exactly how many people came to you to find jobs in the past year? What kind of help did you give them?

[Zakharov] The Tallinn Labor Exchange received around 70,000 requests for assistance, and some people applied more than once. We have a heavy workload. After all, ours is not the kind of exchange that buys or sells something.... We have to work with the individual to place him in the correct job—to look for a place where he might be able to find a permanent position or an opportunity for training or temporary work. A government decree passed in March stipulated that an individual who is assigned to a temporary position by the labor exchange is entitled to extended unemployed status. For the whole period of his temporary employment, he will collect benefits in addition to his earnings. Furthermore, we now have ways of stimulating hiring: We have money for training and a chance to subsidize the employer for half a year or a whole year if he cannot afford to pay the worker the minimum wage.

In any case, all of this resulted in the reduction of unemployment in the republic in the third and fourth quarters. There was a somewhat unexpected situation in the Tallinn Labor Exchange in September, when there were twice as many applicants as in August. Many people wearing

leather jackets and sportswear came to the exchange to apply for an unemployment card. Quite frankly, we experienced a veritable onslaught. The reason was quite simple: Starting in September there was compensation for heating costs, and the unemployed were covered by a free medical plan.

[Olshak] Who is the typical unemployed person today, so to speak? Who has the least likelihood of finding a job: women, people with a higher education?

[Zakharov] Our studies indicate that the first cuts affected engineering and technical personnel, but now most of the unemployed are people without an education. If a person does not have a specialty, is not fluent in Estonian, and is uneducated, he will have difficulty finding work. Others having difficulty are people of pre-pension age—those who will be retiring in five years or sooner. Employers prefer young workers. In Tallinn these older individuals represented 25 percent of all of the unemployed in the second quarter of last year, the figure had already risen to 40 percent in the third quarter, and we still do not know what happened in the fourth.

[Olshak] What about the employers? Who are they?

[Zakharov] Last year it became clear that more than half of the employers are in the private sector. They are more likely to trust the labor exchange and make use of its services. Furthermore, competing firms are even willing to spend some money to find a good worker. State structures, on the other hand, are still hiring people either on someone's recommendation or on the basis of some other kind of affiliation. This practice is frequently counterproductive.

[Olshak] Are there really any state enterprises left that are hiring people instead of just letting them go?

[Zakharov] Yes, there are. Some examples are the railroad, the Port of Tallinn, and some large plants. We are happy about the recovery of the Baltic Shipbuilding Plant. It will be hiring around 100 people, but these will be specialists, and not just people with no particular profession. I hope that in this case we will be able to demonstrate our ability to act as good partners. We want to satisfy the plant's requirements, and we are willing to arrange for the instruction or training of the workers the plant needs.

[Olshak] Unemployment benefits now amount to 180 kroon. Do you expect an increase?

[Zakharov] That is a difficult question. Today these benefits and earnings from temporary jobs produce the same income as some permanent positions. Besides this, we must not forget that the amount of the benefits depends on the financial status of the state.

From the standpoint of national economic development, I feel that the main objective today is not higher unemployment benefits, but a larger training grant, so that the individual will not be "housebound," but will be able to travel, for instance, from his home in Kivioli to a training site in Kohtla-Jarve. This would be a good investment.

[Olshak] Here is the last question. What kind of year do you think 1994 will be in the labor market?

[Zakharov] It will be difficult, but not hopeless.

Newly Appointed Ministers Profiled 944K0734B Tallinn ESTONIYA in Russian 11 Jan 94

[Article by Elkond Libman under the rubric "Faces of the Week": "Portrait of 'Repairmen"]

[Text] Well, repair of the government, the need for which the ruling majority has been bringing up for so long, is for all practical purposes an accomplished fact. An elegant touch: The names of the new ministers follow one another in strict keeping with the Latin alphabet: J (Jurgenson), K (Kannik, Kranich), and L (Luik).

TOIVO JURGENSON. A man of pleasant manners, with a quiet voice and a shy smile. At 36, he is the oldest of the foursome. According to the parliament's deputy speaker, Tunne Kelam, he worked extensively and fruitfully in the parliamentary commission on the economy. Some of the results have been felt quite tangibly by Tallinn residents: It was at his initiative that the State Assembly cut to a minimum subsidies for public transportation in the capital. In the Isamaa he was considered a leading specialist and ideologist on the subject of agriculture. In the fall, when angry peasants staged a siege of the parliament building, he looked out of the window and said that Estonian agriculture was still in the hands of socialist structures, which had "lobbied" this action.

INDREK KANNIK. Was considered an Isamaa ideologist but, in the public eye all the time, has not qualified for the fame of a "gray cardinal." Aside from the prime minister, he was affected by well-known scandals less any of Isamaa's other top people. After the most sensational of them—the "vodka scandal"—when the subject of changing of the faction leadership came up, he was rumored to be a prime candidate for the parliamentary leader of Isamaa. This did not happen, however. Perhaps even then he kept in his sights the far-reaching aim of a ministerial portfolio. Numerous remarks at parliamentary press conferences on issues of the national security concept are probably the only link between the name of Kannik, who has never served in the military—like his predecessor, as a matter of fact—and the job of minister of defense. That, and his obvious character trait of decisiveness.

HEIKI KRANICH. While being a member of the ruling coalition, he was not a member of Isamaa faction of late, joining instead the liberals faction that recently split from Isamaa. One of the "fathers" of the current tax system. By the way, it was he who stubbornly insisted on the need to apply turnover tax to periodicals. Unlike the aforementioned, he was up to his neck in the "vodka scandal" since, together with Illar Hallaste, he was a member of Liviko's administrative council. He is still involved in litigation with the RAHVA HAEL newspaper on the subject of an item, which, he contends, inflicted moral damage on him to the tune of half a million kroons. He seeks to exact the half million from the offender in his lawsuit.

JURI LUIK. This name is probably more familiar to the reader than the rest. Head of the Estonian delegation at the negotiations with Russia, he looked almost like a boy, albeit bearded, next to the cleanly shaven and experienced Vasiliy Svirin. His remarks to journalists after each round of negotiations were not always diplomatic, sometimes prompting even the usually restrained and polite Svirin to a verbal skirmish. As time went by, he became less overtly emotional, and learned diplomacy—not just a diplomat's polish but also experience—which even his rivals in the negotiations acknowledged. His tenure in the job of minister of defense was so short-lived, however, that it did not leave any publicly visible trail.

Foreign Investment in Estonia, Russia Compared 944K0733A Tallinn ESTONIYA in Russian 5 Jan 94 p 2

[Article by Sergey Trifonov, chief specialist of the Ministry of Finance, and Yaroslav Tolstikov, journalist: "Investment in the Economies of Estonia and Russia: What Is Behind the Numbers?"]

[Text] We continue the publication of a series of articles on the comparative economic situation in Estonia and Russia prepared by Sergey Trifonov, chief specialist of the Ministry of Finance, and Yaroslav Tolstikov, journalist. For the previous publications, see the issues of our newspaper for 22 and 29 December 1993.

Investment in the economy of the country, that is, making outlays for its development, means laying a foundation for the future prosperity of society. The growth of investment means drawing closer to a such a future; slowing investment down means eating away at our own potential, eating away at our own selves.

What is the investment situation in the economy of Estonia today? We must note, first, that we lack any kind of clear-cut statistical base with regard to all sectors. Why do we lack it? It is impossible to gather the necessary data all at once for the tens of thousands of enterprises, mostly small and medium-size ones, and analyze all of them to see what kinds of processes are developing there. However, we can discuss estimates.

So, the total volume of investment in the economy of Estonia in nine months of 1993 came to about 2 billion kroons and, in comparable prices, remained at the level of the corresponding period of 1992. Under our circumstances, this is a positive note. Investment on the whole did not decrease, although it did not grow either, while we know how difficult the period is our society is now going through. The enterprises themselves have a bare minimum of funds for investment, and this is well known.

It is no accident that under the circumstances we are placing our bets on foreign investment, on luring foreign investors to Estonia. We clearly lack our own capital.

However, in this instance the numbers are quite contradictory. There are statistical data, but they take into account only foreign investment as of the moment of the establishment of a given joint venture or foreign enterprise. This is their original contribution, and it is reflected by statistics. However, current contributions to already operating joint ventures or foreign enterprises, or the same enterprises established earlier, do not show up in the statistics.

According to statistical data, the following quite approximate picture emerges. As of the end of the first quarter of 1993, the volume of foreign investment came to just 2.2 billion kroons, and by the end of the third quarter, had increased to 2.5 billion kroons. That is to say, the total volume of investment during the year, as has already been noted, remained at the same level—2.2 billion kroons during the year, but the share of foreign investors increased. How are these numbers to be evaluated?

There is a council of experts at the Institute for the Study of Trends. This council believes that the course of the investment process is unsatisfactory; there is little investment, more is necessary.

However, this is after all a maximalist approach. We wish well, but realistic potential must be taken into account, too. It is good in and of itself that we are registering a continuous growth of foreign investment, although of course more can be desired.

It is also necessary to note that at present only one-fourth of all investment goes to industry, and the rest goes to other sectors. In other words, a process of structural changes in the economy is underway. Indeed, industry used to be the sector that got investment first. Foreign investors now understand that this is not the best investment there is, and are investing in the service and trade sectors. Therefore, structural changes in the economy occur in our country under the influence of foreign capital, among other things.

Statistical data indicate that during the nine months of 1993 foreign investment came to 625 million kroons, of which 208 million kroons were in the third quarter. In turn, according to the balance of payments, that is, data from the Bank of Estonia, it turns out that in the nine months of 1993 foreign investment came to 1.5 billion kroons. We have already said which data show up in the statistics and which do not. The discrepancy results precisely from this. Therefore, the data of the Bank of Estonia should be considered closer to the truth.

Who precisely are the largest foreign investors? They are companies from Sweden and Finland. The volume of investment by Russia keeps decreasing. In the third quarter of 1993 Russia merely ranked seventh, with a volume of investment of 8 million kroons.

Data on investment in its own economy are published in Russia accurately, quarter after quarter. Naturally, the high rate of inflation hampers foreign investors, and a drop in the volume is being registered. Nonetheless, the level of investment remains quite high. Thus in the first quarter of 1993 the volume of investment came to 97 percent compared to the corresponding period of 1992, and in the third quarter—93 percent.

The total volume of foreign investment in Russia came to \$7 billion as of the end of the second quarter of 1993. Germany and the United States are the main investors.

If we compare the per capita volumes of foreign investment in Russia and in our country (based on statistical data), we will obtain \$46 for Russia and \$115 for Estonia in the first half of 1993.

Here are a few more numbers. In Russia the number of joint ventures comes to 7,000, and in Estonia—4,000. These are absolute numbers, and they speak volumes. At present Estonia amounts to a more attractive bridgehead for foreign investors than Russia.

#### Foreign Trade Figures for Estonia, Russia Examined

944K0733B Tallinn ESTONIYA in Russian 12 Jan 94 p 2

[Article by Sergey Trifonov, chief specialist of the Ministry of Finance, and Yaroslav Tolstikov, journalist, under the rubric "Prompt Analysis": "Foreign Economic Operations of Estonia and Russia: What Is Behind the Numbers?"]

[Text] This article completes a series of presentations in our newspaper by Sergey Trifonov, chief specialist of the Ministry of Finance, and Yaroslav Tolstikov, journalist, on the topic of the comparative economic situation in Estonia and Russia. For previous articles, see the issues of the newspaper ESTONIYA for 22 and 29 December 1993 and 5 January 1994.

The status of foreign economic operations of the country may also be visualized. The assortment of goods in our stores keeps expanding. Everyone can see this; therefore, trade with foreign states is growing. Here are the numbers. Based on the results of the nine months of 1993, the volume of exports of goods from Estonia increased by a factor of 2.2 compared to the corresponding period of last year. In the first quarter the volume came to 1.9 billion kroons, in the first half of the year—4.3 billion kroons, and in the nine months—7.1 billion kroons. In other words, each subsequent quarter saw the increasing growth of exports. We can safely assume that growth also occurred in the fourth quarter.

Here are the statistics on imports of goods. The total volume of imports increased by a factor of 2.4 during the nine months. In the first quarter it came to 1.8 billion kroons, in the first half of the year—4.4 billion kroons, and in the nine months—7.5 billion kroons. This is to say that Estonia's foreign economic operations have been performed in a quite dynamic manner, although there are nuances.

In the first quarter, Estonia completed its foreign economic operations with a positive balance, that is, exports exceeded imports, but later the picture began to change. A growing surplus of imports of goods over exports was registered. (At issue are the numbers furnished by the Department of Statistics.)

The trend of the growth of imports compared to exports is an alarming factor. It is known that the stability of national currency largely depends on the ratio of export to import volumes.

However, we have been rescued by another circumstance. The above numbers concern only exports and imports of goods. Based on the balance of payments drawn up by the Bank of Estonia, we may also arrive at exports and imports of services. In this instance, the balance is positive, exports of services exceed imports.

Thus, we were 0.56 billion kroons in negative territory with regard to goods during the nine months. Yet the balance for services was positive; it exceeded 1 billion kroons and thus more than offset the negative balance for goods.

What do exports of services consist of? They include transportation services—maritime shipping and seaports, as well as the tourist sector—hosting guests from abroad.

Therefore, in total, including exports of not only goods but also services, the balance is positive for now. However, this is perhaps hardly a cause for joy. According to a projection by the Economics Institute, the negative balance of exports and imports of goods will increase in the two years to come, and it is not ruled out that by the end of 1995 this negative will not longer be offset by the positive from exports of services. This will threaten the stability of the Estonian kroon. However, it is possible that this is too pessimistic a projection. The correct trend is being projected, but the balance may remain positive, after all.

Now let us look at the state of affairs in Russia. Characteristically, exports there are being augmented intensively. During the nine months, exports increased by 10 percent (primarily oil and gas), whereas imports declined by 53 percent during the same period of time. The positive balance of foreign economic activities came to almost \$15 billion. An intensive process of the accumulation of money is underway in Russia. To be sure, it is not always clear where this money ends up and who administers it.

Currently, Russia ranks second as Estonia's trading partner in terms of both imports and exports, next to Finland. The volume of trade fluctuated and came to approximately 1 billion kroons in the third quarter. Russia accounts for 20 percent of all Estonian exports, and 18-19 percent of Estonian imports. The balance in Estonia's trade with Russia is positive, although the surplus of exports is small. All of this is statistical data. However, the Bank of Estonia has corrections to make in it.

Nonferrous metals hold the fifth most significant position in exports from Estonia. In the first quarter, the volume of exports of these metals came to 102 million kroons, in the second quarter—227 million kroons, and in the third quarter—170 million kroons. During the same period of time Estonia imported such metals worth only a few tens of millions of kroons. Where do we get nonferrous metals for exports? First, from domestic theft, and second, from smuggling out of Russia. Both sides profiteer from this; to be sure, in Russia it is primarily individuals rather than the

state. Indeed, smuggling is bad, but this fact means that the border between our countries is sealed poorly on the Russian side.

So, this contraband transportation to Estonia is not registered, but it shows up in exports, and the Bank of Estonia makes the relevant correction toward increasing imports and, consequently, worsening the trade balance.

Now a few words about the structure of exports. Strange as it may seem, in terms of significance, ground transportation vehicles rank first, or in simpler terms—passenger cars. In the first quarter this position came to 185 million kroons, in the second—230 million kroons, and in the third—320 million kroons. Estonian companies purchase cars in the West, keep about one-third of them, and sell most to the East at a profit. A small stream of cars goes to the West from the East (the Zhiguli and Moskvich cars). All of this is quite normal, legal business: Buy it cheaply, sell it expensively.

Exports of timber and products made of it rank second. Thus, in the third quarter their volume came to 215 million kroons.

Milk and dairy products rank third. In the third quarter this came to 208 million kroons.

Fuel (oil and coal) ranks fourth. In the third quarter it was 174 million kroons. This business is likewise quite legal. We purchase fuel in Russia and resell it in the West at a profit. We must note that Russian companies frequently ask us to provide such brokerage.

Nonferrons metals rank fifth, which has already been mentioned.

We should note in particular that Estonian milk and dairy products have come to rank third in exports. This is a good sign. The growth of ferrous metal exports from the East to the West is a new aspect. In this instance, Estonia also skillfully plays the role of agent. Besides, we have begun to trade in sugar going from the West to the East. In both cases these are quite legitimate transactions.

Now, a few words about imports.

The already mentioned cars rank first (430 million knoons in the third quarter).

Oil and refinery products and coal rank second (380 million knoons in the third quarter).

Equipment ranks third. The volume of these deliveries keeps growing (313 million kroons in the third quarter).

In summation, we shall say that the foreign economic operations of Estonia have developed very dynamically. Second, imports of goods exceed exports, and this is bad. Most importantly, Estonia is becoming a bridge in trade between the East and the West, and an important junction in exchanging goods and services. This is gratifying.

### Agriculture Minister Urges Structural Changes in Economy

944K0733C Tallinn ESTONIYA in Russian 12 Jan 94 p 2

[Unattributed article: "The Structure of the Estonian Economy Must Change"]

[Text] Minister of Agriculture Jaan Leetsar believes that vast changes must occur in the structure of the Estonian economy.

At present, agricultural production and the food industry account for 33.6 percent of the total structure of production. This ratio is not favorable; the proportion of industry should be substantially higher.

Throughout the world agriculture is subsidized at the expense of other sectors of production, whereas in Estonia this cannot be done. Leetsar believes that in the future agriculture should not remain a leader in the area of exports. The volume of production in agriculture should increase; however, the growth in industry should be substantially higher.

Last year exports of agricultural products increased by approximately a factor of two, and came to 2.1 billion kroons, leaving other sectors of industry behind.

### **Agricultural Sector Losing Workers**

944K0734A Tallinn ESTONIYA in Russian 11 Jan 94 p 1

[ETA report: "Almost 80,000 Agricultural Workers Lost Their Jobs"]

[Text] As a result of the property reform in agriculture, by the end of 1992, 37,000 persons had lost their previous place of employment in Estonia; in 1993 this number increased by another 37,000, Minister of Agriculture Jaan Leetsar reported at a press conference on Monday.

"These people have been laid off their former jobs and get by on occasional jobs, as farm laborers, timber loggers, or gathering wild berries," added the minister. Several years ago Estonia had 360 large farms, which as a result of the property reform have been reorganized into almost 7,000 new agricultural production units, among which are 4,300 family farms, more than 1,200 joint-stock companies, more than 500 shareholding partnerships, and others.

"The Ministry of Agriculture does not yet have figures on how many rural residents have income as proprietors and how many are living by selling their labor," stated Leetsar. Computers purchased by the ministry with the aid of Italy will enable it to establish computer links with districts and give the ministry a sufficiently clear picture of the processes taking place in the countryside, said the minister.

#### Agriculture Minister Advocates Faster Reform

944K0765A Tartu POSTIMEES in Estonian 12 Jan 94 p 6

[Article by Olav Kruus: "Minister of Agriculture Jaan Leetsaar: Industry To Support Agriculture, Rural Reforms To Be Stepped Up"] [Text]

Agricultural production makes up 33.6 percent of the domestic gross product and that puts agriculture clearly in the first place in our economy, Jaan Leetsaar, minister of agriculture, said at the ministry's press conference. "However, such an economic indicator is not normal in a state where only a million hectares of land are used for agricultural production. Changes in the economic structure must take place in the near future, because an economic sector with such a small work force and meager monetary resources cannot maintain its leading position for long," the minister noted.

Leetsaar explained that, in other European countries, subsidies to agriculture are made from taxes proceeds on industrial profits, and same could be done in Estonia but, unfortunately, right now we do not have economic sectors strong enough to support agriculture.

### Ownership Reform Has Been Carried Out

Leetsaar said that reorganization of state farms and collectives has been completed successfully. As a result of ownership reform, 360 large collectives have been replaced by 7,000 new agricultural production units. As of last October, there are more than 4,300 farms, roughly 1,200 joint stock companies, close to 800 associations, and 500 cooperatives in Estonia, Leetsaar said.

Negative results of ownership reform, according to Leetsaar, include unemployment for 75,000 rural residents. In 1992, 37,000 persons were left unemployed, followed by roughly the same number in 1993. A portion of these people make a living off odd jobs. There are people in rural areas, who draw an income from business ownership and work for wages at the same time. The ministry has no overview of how the different ways of making a living are distributed in the country, the minister admitted. He said that business ventures should be encouraged in rural areas to make full use of the under-employed.

Employment problems are indeed of primary concern to the ministry for the year now starting, Leetsaar remarked. He added though that it is the rural residents themselves who are reluctant to try out new formats of entrepreneurship.

#### Land Reform Is Snagged

The minister admitted that land reform is stuck pretty much at where it was a year ago. Among the main reasons holding up reform, the minister cited the lack of laws on land regulation and assessment, and the lack of a system for land replacement. Developing a system for land regulation and assessment has been snagged because of poor performance on the part of the Land Office.

Leetsar said that his ministry cannot speed up the process because Land Office now reports to the environmental ministry, instead of the agriculture ministry.

#### **Unfair Competition**

Unfair competition, the minister claims, comes from the unrestricted import of heavily subsidized products to

Estonia. To stop that, an anti-dumping bill has been submitted to Riigikogu [Estonia's parliament]. A bill on assessing customs has also been held up in the finance ministry for some time now, Leetsaar said. That, too, should be submitted to Riigikogu, and implemented as soon as possible, because food items are often brought into Estonia that are declared in customs at below producers' prices. At the same time, customs statistics do not reflect the actual imports of food items, Leetsaar said.

For the year now starting, the ministry is planning to pay more attention to the regional politics of rural life, speeding up agricultural reform and 'privatizing economic activity' the minister said. He emphasized the last phrase saying that, in the country, one can often find enterprises whose assets and production facilities cannot match the economic significance of well-developed production and trade relations.

# Prime Minister Is Sticking to Agreement Made With Agricultural Producers

The agreement on the pricing of agricultural products that was reached between the government and representatives of agricultural producers is still waiting, ever since last September, to be put on the agenda of a government session by the prime minister, Jaan Leetsaar said.

The signed agreement resulting from negotiations based on the income law was concluded at the end of September last year. Representing the government at these negotiations were the ministries of economics, agriculture and finance, and the head and signator of the government delegation was Margus Leivo, chancellor of the economics ministry. He also promptly submitted the agreement to the prime minister, requesting that it be discussed at a session of the government, Leetsaar said.

According to that agreement, it would take grants and credits for up to 748 million kroons just to maintain domestic agricultural production at its present level. At that time, more than 200 million kroons had been allocated to agriculture in the 1994 budget bill. To come up with the rest of the money, the ministry had promised to start negotiations and take the matter up at a government session

"Chancellor Leivo submitted the agreement to the head of government at the end of September but, unfortunately, it has gotten stuck in one of Laar's drawers," minister Leetsaar said.

He added that, by now, these estimated amounts have changed, and the ministry is kept busy with calculating actual prices for agricultural products. Calculations show that price increases are likely for milk and dairy products in the near future. Current production expenses, the minister said, exceed even the production costs specified in the agreement.

### **Privatization Progress Reviewed**

944K0765B Tartu POSTIMEES in Estonian 27 Jan 94 p 9

[Article by Vaino Sarnet, Executive Director of Privatization Agency: "Getting Rid of Toothache (lack of economic viability in a state enterprise), Calls for a Dental Drill (privatization)"]

#### [Text]

Vaino Sarnet, executive director of the Privatization Agency has been on the job for four months now. In the accompanying letter he wrote: "My views on privatization, however, go back much longer than that, to the time when I was assistant district elder for Western Virumaa and chairman of the district's commission on returning illegally expropriated property." Have they remained the same or have they changed, the author asks.

Vaino Sarnet's position is that privatization should be accelerated and decentralized.

# We Are Still a Long Way From Where We Expected To Be

On the positive side one could mention an increase in the rate of sales at the end of last year, a decrease in the portion of selling off parts of enterprises, and an increase in the portion of selling shares.

Averting, or at least postponing, the many potential privatization scandals is a positive factor in itself, so that one could go on working instead of concentrating on scandal control. We have faced court debates ever more assertively, creating precedents so that the privatization process could not be slowed down or stopped on some flimsy pretext.

There are enough people around who wish that privatization be curbed or brought to a stop. The simplest way to do that would be to emphasize the confusion and the setbacks that inevitably go along with any changes in ownership formats.

#### **Myths About Privatization**

A privatization notice brings out the Doomsday sayers at an enterprise. This is partially true, but only in cases of inefficient management and production. The buyer wants to get the enterprise operating efficiently, involving all of its good employees and specialists.

State-owned enterprises are sold to foreigners for next-to-nothing. Foreigners would have to buy an enterprise in a round of competitive bidding, where Estonian capital would have an advantage (a 10-year schedule of payments). It is important to have as many foreign investors among the bidders as possible. This increases the chances of finding a buyer who has the skills, the knowledge and the money to make a go of it on the world market.

Privatization is happening too soon, Estonia's capital is not yet strong enough. The strength of Estonia's capital comes from lower wages and more difficult working conditions,

compared to those of foreign companies. It is not something that most people cherish. Russian capital, for one, has been very eager to supplement, and to dilute, our capital. The only way to minimize that is to attract Western investors.

In the course of privatization, someone's interests and rights are always being stepped on. Partially, this is true, of course. Sudden changes will always violate someone's rights but, due to the significance of the process, one must proceed without slowing down. These problems, too, will have to be solved either on the run, or put off until such damages can be assessed, and the state in a position to compensate for them out of the earnings stemming from privatization.

## Why Is Rapid Privatization an Economic Necessity?

Privatization is necesary because:

- 1) Even in principle, the state cannot properly handle the business side of an enterprise, not to mention a weak state like Estonia:
- 2) The state cannot vouch for the preservation of assets, not to mention for increasing them;
- 3) The national treasury does not collect enough taxes from state enterprises. State enterprises are being subsidized from tax liabilities, putting private enterprises at a disadvantage;
- 4) Due to lack of supervision, economic crimes are being committed;
- 5) Due to lack of supervision, privatization through unauthorized acquisitions of property can be attempted with the help of the bankruptcy law and bond agreements;
- 6) There is a reluctance to invest in state enterprises and, if and when it happens, it is done at a considerable disadvantage to that state enterprise;
- 7) State enterprises are many, and that makes it impossible for the state and the ministries to deal with the tasks that shape the economy of the state (economic policy, tax policy, financial policy). Instead, a half-hearted effort is usually made to assume the role of the owner. It is difficult, however, to maintain both roles, that of being the owner and that of prescribing norms to regulate itself.

#### A Dental Drill Can Scare Off Anyone

To the Estonian media, and through it also to the general public, privatization has so far been like a dental drill that will scare off anyone. Just the sight of a drill can make you forget the pain that brought you to the dentist's office. One also gets used to the pain. This is why it is important that someone assume the thankless task of explaining that toothache (lack of economic viability in a state enterprise) can only be cured by using the dental drill (privatization).

Inevitably, the privatization agency must assume a bigger role, here. Without the support of public opinion, however, privatization could be severely hampered.

Not enough writing is done on topics such as the unfounded economic deterioration of state-owned enterprises, the unabashed transfer of assets from state enterprises into corporations closely linked to its employees, managements' helpful hand in the bankruptcies of many state enterprises, unprofitable and/or illegal sales or rentals of state enterprise assets, shutting off heat to housing units of state enterprises, closing of nursery schools, use of municipal assets, and tax liabilities of state enterprises.

## How To Speed Up Privatization?

To speed up the rate of privatization, we are planning to:

- \* continue having international bidding competitions;
- \* start privatization proceedings with a public sale of the corporation's shares for money or for privatization securities:
- decentralize preparations for privatization (involving ministries, district governments, and private companies). To widen the scope of decentralization, prior permission should be obtained from the government of the republic to make payments for privatization activity contingent on the outcome. Additional opportunities should be found, even through foreign aid programs;
- \* start preparations for the sale of more complex objects with the help of foreign experts, and make maximum use of opportunities presented by foreign aid programs;
- \* speed up preparations for the sales by extending cooperation with banks.

## LATVIA

# Law on International Agreements Passed

944K0722A Riga DIYENA in Russian 2 Feb 94 n 9

["The Saeima Has Adopted and the President Hereby Proclaims the Following Law: On International Treaties of the Republic of Latvia"]

[Text] The purpose of the law is definition of the conclusion, fulfillment, and denunciation of international treaties of the Republic of Latvia (hereinaster "international treaties") and other matters connected with international treaties.

#### I. General Provisions

Article 1. International treaties are agreements—regardless of what these agreements are called—which the Republic of Latvia has concluded in writing, in accordance with the rules of international public laws, with foreign states or other subjects of international law.

Article 2. International treaties of the Republic of Latvia shall be concluded in the form of interstate treaties, intergovernmental treaties, and intersectoral treaties.

#### II. Conclusion of International Treaties

Article 3. The Saeima of the Republic of Latvia (hereinafter "Saeima") shall be entitled to adopt a decision on the conclusion of any international treaty, having appointed in

its decision the persons responsible for the elaboration of the specific treaty and the extent and content of these persons' authority.

The Cabinet of Ministers shall adopt a decision on the conclusion of international treaties, except the treaties specified in Article 7 of this iaw.

Article 4. The president, the prime minister, and the minister of foreign affairs may without special authority having been granted them negotiate the conclusion of international treaties, coordinate the text thereof, and sign these treaties, complying with the conditions of Article 3 of this law.

Article 5. Members of the Cabinet of Ministers may within the framework of their competence and without special authority having been granted them negotiate the conclusion of international treaties and coordinate the text thereof.

The leaders of diplomatic missions of the Republic of Latvia or accredited representatives of the Republic of Latvia may at conferences and in international organizations and their structures without special authority having been granted them negotiate the conclusion of international treaties and coordinate the text thereof only with the state in which the mission is located and with the corresponding international organization or a structure thereof.

The persons mentioned in this article may sign international treaties only after having obtained the corresponding authority.

Article 6. If a decision on the conclusion of an international treaty is adopted by the Saeima, the authority for negotiating and signing the treaty shall be granted by the Saeima, and it shall be signed by the president.

If a decision on the conclusion of an international treaty is adopted by the Cabinet of Ministers, the authority for negotiating and signing the treaty shall be granted by a decree of the Cabinet of Ministers, and it shall be signed by the prime minister or minister of foreign affairs.

The authority must indicate the extent thereof in accordance with the decree of the Saeima or the Cabinet of Ministers.

Article 7. The following international treaties shall be concluded in the form of international treaties:

- 1) peace treaties;
- 2) treaties on the principles of state relations;
- 3) treaties on the armed forces of the Republic of Latvia and their disposition;
- 4) treaties on the borders of the Republic of Latvia;
- 5) treaties on the participation of the Republic of Latvia in customs unions, free economic zones, and economic, military, and political alliances;
- 6) treaties on the location of the armed forces of foreign states and their status on the territory of the Republic of Latvia.

Article 8. International treaties shall be confirmed by a law adopted by the Saeima, the basis of which shall be a text for ratification prepared by the Ministry of Foreign Affairs, which shall be signed by the president and the minister of foreign affairs.

Article 9. The following international treaties shall be confirmed in the Saeima.

1) treaties regulating matters to be resolved by way of legislation;

2) other treaties, if ratification is directly specified in the text of the treaty or if this is required by a statement of the Cabinet of Ministers setting forth the reasons.

Article 10. The instruments of ratification shall be exchanged by the president or the minister of foreign affairs or persons whom they so authorize.

The Ministry of Foreign Affairs shall exchange international treaty notes of ratification and give notice of compliance with the requirements necessary for the treaty to take effect on the territory of the Republic of Latvia and also deposit accession documents and hand the international treaties to the depositary.

Article 11. Given compliance with the conditions of Article 7 of this law, a decision on accession to multilateral international treaties shall be adopted by the Cabinet of Ministers, except in instances where:

1) the treaty specifies a different accession procedure;

2) a payment for participation, for which provision was not made earlier in the state budget, has to be made.

In these cases the law on accession to an international treaty shall be adopted by the Saeima.

# III. Fulfillment and Denunciation of International

Article 12. The Cabinet of Ministers shall be responsible for fulfillment of the commitments specified in international treaties.

Article 13. If an international treaty which has been confirmed by the Saeima specifies conditions other than those in legislative instruments of the Republic of Latvia, the conditions of the international treaty shall apply.

Article 14. A decision to denounce international treaties and suspend them shall be adopted by the Cabinet of Ministers.

If an international treaty has been confirmed or a law on accession thereto has been adopted by the Saeima, the law on denunciation of this international treaty and suspension thereof or reversal of the accession decision shall be adopted by Saeima.

# IV. Registration and Publication of International Treaties

Article 15. International treaties shall be registered by the Ministry of Foreign Affairs, which shall give notice of the treaty's entry into force and the extension, suspension, and expiration thereof.

Article 16. All international treaties and their translations into Lettish shall be published in an official publication of the government and the "Bulletin of the Saeima and Cabinet of Ministers of the Republic of Latvia."

Law adopted on 13 January 1994.

[Signed] G. Ulmanis, president Riga, 26 January 1994

Official Comments on New Election Law 944K0721A Riga DIYENA in Russian 2 Feb 94 p 8

[Interview with Janis Lagzdins, chairman of the Saeima Commission for State Government and Self-Government Affairs, by an unidentified interviewer; place and date not given: "What Will Our Self-Government Be? Janis Lagzdins, Chairman of the Saeima Commission for State Government and Self-Government Affairs, Comments on the Law 'On Elections of City Dumas, Rayon Councils, and Volost Councils"]

## [Text]

[DIYENA] First, tell us please how this self-government election will be different from the previous one.

[Lagzdins] Numerically, the membership of dumas and councils elected during this election will be much smaller than before. In previous elections of councils, between 50 and 120 deputies were elected to the councils in large cities (for example, there were 117 deputies in Liepaja), whereas now their number will be up to 15, and in Riga—60. As a rule, rural councils will have seven to nine members.

Previously, elections were held on the basis of a majority electoral system. In each city, rayon, or volost, there were several electoral districts within which a few candidates for deputy competed. One deputy was elected from each district. In turn, the election expected to be held on 22 May will be proportional, whereby each administrative-territorial unit will form a single electoral district. The difference also is in the fact that a citizen of the Republic of Latvia may be a candidate for duma or council deputy, and only the citizens of the Republic of Latvia will be able to take part in the election. All residents of Latvia could take part in previous elections.

The requirements for candidates for deputy are much stricter. For example, Article 8 envisions that a candidate for deputy must have had a residence permit in the self-governing administrative territory of the respective for at least 12 months prior to the election day. Article 9 establishes that individuals serving sentences in incarceration facilities, individuals who have been found to be legally incompetent through procedures established by law, individuals who have convictions for premeditated grave crimes, and individuals who have served in the USSR or Latvian Soviet Socialist Republic KGB [Committee for State Security] or other similar organs enumerated in subpoint 4, Article 9, cannot be candidate for deputy. The requirement to be fluent in the state language at the level of the third (highest) category is significant.

Previously, there were no restrictions covering deputies, members of the government, procurators, judges, and career servicemen (Article 10). Such restrictions have been introduced so that these popular individuals will not be used in the interest of various political groups. How could this be done? These people who are popular in society may consent to run in an election, thus boosting the popularity of their political group. Once they "drag in" a second echelon of candidates for deputies into dumas or councils in this manner, they may give up the deputy credentials received, and continue to discharge their previous responsibilities. For this reason, Article 10 provides that in the event of their election, they lose either the credentials of Saeima deputies or the positions they hold.

Ballots are an interesting nuance of these elections. Article 29 envisions that a space for voter marks will be available on the ballot opposite the name of each list of candidates and the last name of each candidate. The voter will have two possibilities or alternatives.

If he wishes to vote for one list of candidates in its entirety, he will place the "+" sign next to the name of the relevant list of candidates. This means that the voter supports the election of all candidates for deputy appearing on this list.

If the voter decides to vote for candidates included on various lists of candidates, he will place the relevant "+" sign next to the last names of the candidates for whom he has decided to vote. However, the voter should remember that the number of "+" signs placed in this manner should not exceed the number of deputy seats in the duma or council in question.

The voter can select only one of these two variants—either vote for a list of candidates as a whole (Variant 1) or vote for individual candidates for deputy separately (Variant 2). I would like to bring to your attention Article 46, which grants the filers of candidate lists the right to lodge a complaint with a court about the conduct of the election within seven days after the decree of the electoral commission is passed. If the court rules that violations were allowed to occur in the course of the election which influenced the distribution of the seats of duma or council deputies among political organizations or their association or the associations of voters, the Central Electoral Commission will declare repeat elections through procedures escaped in the law.

Previously, in self-government elections there was no ban either on financing the election campaigns of various political organizations and associations out of state funds. It is also forbidden to finance election campaigns out of anonymous donations. Article 51 envisions arrangements for monitoring execution.

This self-government election will still be financed out of state funds, namely: The state will pay for the manufacturing of ballots, the publication of candidate lists in the press, and the work of the members of electoral commissions.

In the future, self-government elections will be paid for from self-government budgets. These are the main differences between the new law and the law on elections to old self-government bodies or councils.

The election will last one day. Servicemen will be able to vote for three days before the established date of the general election. As usual, one will have to carry a passport of the citizen of the Republic of Latvia, or the so-called old passport with an entry concerning the citizenship of the Republic of Latvia. All citizens of the Republic of Latvia who have reached the age of 18 by election day take part in the elections, unless restrictions established by Article 6 apply to them.

[DIYENA] Tell us, please, in what cases elections may be considered to have been held?

[Lagzdins] An election will have been held if even one voter participates in it. This single voter votes for a list of candidates for deputy, and all of these candidates become members of the duma or authority. This condition influences the activity of all other citizens and their responsibility for the future development of their administrative rayon, so that one voter will not decide the fate of the composition of the duma or council. Western experience shows that a sufficiently large number of citizens always participate in elections.

[DIYENA] Article 15 ordains that the number of candidates included on a list may not exceed the number of deputies elected to a duma (council). Does this not restrict my right, the voter's right to choose?

[Lagzdins] By no means. This is the number of candidates on just one list. However, several lists are provided, and you may vote either for individual candidates or for one of the lists of candidates as a whole.

If only one list exists in a specific electoral district, then there is indeed no choice. However, who should be blamed for this? The political passivity of the residents themselves is to blame in this instance. Since it is possible to form several lists, this opportunity is, as a rule, taken advantage of.

[DIYENA] Only citizens elect, and only citizens can get elected. Could a situation emerge in a rayon or volost in which elections will be a formality because of a small number of citizens?

[Lagzdins] There is not a city in Latvia, not a rayon, and not a volost, with the exception of Sedskaya Volost (15 percent), in which the number of citizens does not exceed 50 percent. For example, in Daugavpils, 62 percent of the residents are citizens, in Riga—54 percent, and in Liepaja—50 percent. In Latgale, this is no problem. This problem does not exist in Latvia at all.

[DIYENA] Point 4, Article 9 of the law specifies that individuals who have operated within the structures of the USSR or Latvian SSR KGB or the intelligence service, and former undercover operatives or keepers of the safe houses

of these establishments, may not be nominated as candidates in elections to dumas or councils. How will the electoral commissions be able to ensure compliance with this article of the law?

[Lagzdins] Unlike the law on elections to the Saeima, the law in question already envisions a certain control mechanism. First, there is Article 17, which provides that all candidates for deputy fill out and sign declarations of compliance with point 4, Article 9. Otherwise, the deputy credentials shall be annulled, and the deputy himself shall be held accountable under Article 151-3 of the Criminal Code, which envisions incarceration for a period of up to three years. If a member of the government, a deputy, or another executive official has provided false information, he will be threatened with incarceration for a period of two to five years.

Article 20 of the law specifies that, within the limits of their opportunities, electoral commissions shall verify compliance with the requirements of Articles 8 and 9.

Besides, let us hope that political organizations will intensively monitor one another in the course of the election struggle.

Our commission intends to approach relevant institutions involved in the investigation of the crimes of the totalitarian regime with a request to publish in the official newspaper of the country a staff list of the employees of the former KGB, so that these people will be known and will not be able to be nominated as candidates for deputy in a self-government election. However, a special decree of the Saeima is necessary for this measure to be taken. Besides, it should be passed before the nomination of candidates for deputy.

[DIYENA] Are there plans to pass any more laws associated with self-government elections before the beginning of the election campaign?

[Lagzdins] The notion of "voter association" was not defined in the course of the previous Saeima election. Article 15 now states that such associations are formed by individuals who have signed lists of candidates plus individuals announced on candidate lists. Consequently, voter associations in volosts will not be numerically smaller than 20 people, in large cities—about 50 people, and in Rigaabout 110 people. We are planning to endow these voter associations with greater rights in the future. At present, I am developing a draft law that calls for granting individuals who sign lists of candidates for deputy the right to propose a recall of so-called undisciplined deputies. For example, a deputy elected to a duma or council decides to switch from his faction to another faction. What is to be done about him? To date, there has not been a law that granted us the right to recall this deputy. The developed draft provides that two-thirds of the persons who have signed the candidate list are entitled to approach the relevant city, rayon, or volost electoral commission with a proposal to recall the deputy in question. The electoral commission will consider the petition, verify documentation associated with the election, and put the issue of recall to a vote within one month through procedures envisaged

in the law. If no fewer than one-half of the voters who previously voted for the list in question in the electoral district in question vote in favor of the recall, the deputy will be considered recalled.

This draft should also become law before the beginning of the election campaign.

# Potential for Weapons Production in Latvia Viewed

944K0750A Riga DIYENA in Russian 31 Jan 94 p 3

[Article by Valdis Zakis under the rubric "Problem": "Weapons with a Latvian Trademark. Is It Reality?"]

[Text] The defense and security of the country has been defined by the government of Latvia as one of the priorities of state policy. In any case the incident with the arrest of the Russian generals, which threatened to develop into an interstate armed conflict, aggravated this problem. This was reflected in the draft state budget for 1994 in which additional capital was appropriated for defense needs.

This money was also supposed to be used to buy weapons. DIYENA has information that the representatives of the appropriate military structures are holding such negotiations with weapons dealers of Israel and the Czech Republic. However, the production of weapons, including automatic combat weapons, can be set up in our country in a month, but it has become clear that such an expert evaluation and the basic financial calculation have not been made in the highest echelons of power.

The situation is complicated by the fact that as yet there is no definite plan for arming the military structures in the state, although they are receiving weapons. Plans to buy weapons abroad apparently arose from the lack of knowledge on our own potential or from the incompetence of certain state officials. Buying weapons abroad is not simply more expensive, it is much more expensive. And it is not only the automatic rifles and pistols themselves but the high price of the ammunition for them.

There is no sense in proposing Russian weapons to state structures now; that requires preliminary negotiations, the consent of Russia's government (which is very problematical), and so forth.

In Russia the price of an AK-74 automatic rifle fluctuates from 220 to 190 dollars. While the firm EFA is already operating on the Latvian market on a legal basis with a license from the Ministry of Internal Affairs of the Republic of Latvia (the only one so far) and can supply essentially the same rifle (5.45, 5.56, or 5.65 caliber, for NATO ammunition) at 140 dollars apiece.

The same can be said for pistols. Even now hunting guns such as the Sayga and Tigr carbines are offered to wholesale clients at prices lower than Russian ones.

According to preliminary evaluations, it is more prestigious and profitable to reorient this firm to producing domestic weapons stamped "Made in Latvia."

It is no problem for the firm to launch production in cooperation with Russian weapons makers. Especially

since around 40 percent of the components can be produced locally. The EFA firm, according to official information, is already the owner of a packet of documents on several types of weapons. So creating a Latvian military-industrial complex is completely realistic, given the good will of the government and the Sejm.

As for the quality of future output, the world renown of the Russian weapon can serve as its guarantee. For the fact is well known that an absolute majority of special units of the armies of NATO member countries were indeed armed with the Russian weapon.

As for the need to create our own military-industrial complex, there can be no two opinions about it—the export of weapons has always been a profitable state business.

In an interview on this topic, the responsible leaders of the military structures evaluated the situation which has taken shape in contradictory ways.

The deputy commander of the Defense Forces of Latvia, Yevgeniy Bogdan, on the one hand, is certain that the important thing is to obtain a state order for arming the Latvian army, but such an order cannot be placed with EFA, in particular, since there is no money. It is a vicious circle.

The minister of internal affairs, Girt Kristovskis, does not reject the possibility of placing a state order. Moreover, he assures us that if a private firm's weapon is competitive, including the price range, weapons for the Defense Forces and the police could be entrusted to it. But even so, from the state's standpoint, the minister does not see any savings here.

So just who is ultimately able to provide an expert analysis of what is beneficial for the state? Should we obtain those weapons needed to arm the army and the police at a higher price abroad or from Latvian producers—at a lower one? Should we buy them, spending millions of dollars, or receive these same millions by selling them?

# Baltic Regional Narcotics Control Office Established in Riga

944K0750B Riga DIYENA in Russian 31 Jan 94 p 1

[Article by Agita Berzinya: "UN Specialists on the Fight Against Narcotics Will Work in Latvia"]

[Text] Riga, 30 January. The UN program mission on narcotics control arrived in Riga today. Its visit is tied to the creation in Riga of the Baltic Regional Bureau on Narcotics Control. Thus Latvia becomes the Baltic Region center in the struggle against narcotics. It is proposed that during the visit the mission's representatives will meet with members of the government and visit the Rindzelskiy Hospital in Tukumskiy Rayon, where a regional institution for treating drug addicts partly financed by the UN is to be created. The mission's specialists will also visit Kleysty, where they will visit a breeding kennel where dogs are taught to search for narcotics. So far in Latvia only two dogs have been taught to do this.

The realization of the UN draft program on narcotics control in the Baltic countries has already begun, reported the chief narcotics expert of the department of health, Janis Strazdins. The 1.3 million U.S. dollars allocated for this will make it possible to strengthen customs, the police, and the border troops and train associates of toxicology laboratories.

In early January the coordinator of the UN program on narcotics control and the mission's leader in the Baltic countries, John Header, gave the National Coordinating Commission and Committee on Narcotics Control, the criminal science center, the police department, the border brigade, and the customs service of the Republic of Latvia 70 portable units to detect narcotic substances. They can be used to detect any narcotic substance. They will help laboratories technically provide narcotics control.

The mission will be in Latvia until 3 February, and then it will leave for Lithuania.

## Turlais on Problems of Latvian Defense Forces 944K0673A Riga LABRIT in Latvian 26 Jan 94

[Interview of Colonel Dainis Turlais, Defense Forces Commander, by Guntis Stamers: "A Running Officer Provokes Laughter in Peacetime"]

[Text]

[Stamers] Speaking at the Foreign Policy Institute of Latvia you said that potential threats to our country are currently greater than the capability to meet them. The Cabinet of Ministers at the last moment changed the draft budget, proposing an increase in resources for the defense forces. Please specify what steps are anticipated to improve the condition of the defense forces.

[Turlais] Unfortunately I cannot say anything, because Latvia is ruled by a unique situation: the commander of the army does not participate either in assessing the needs of the defense forces, nor in dviding up the budget, that is, deciding who needs the most. In truth the government disinforms the taxpayers: The sum alloted for defense also includes financing for various state institutions unrelated to defense. People conclude that the army is alloted large sums of money, but I cannot tell exactly how much. No one has provided an overview of how much has gone to the army in the previous two years, nor do I know how much there will be.

It seems to me that the main problem is that the Finance Ministry has a rather murky idea of what the defense budget should look like, what it should include, and what its organizational structure is. The Finance Ministry ought to have a department, or at least a section, which works with the military budget. There is no way that a "Soviet" accountant can develop a state defense budget!

The second problem is that the defense budget, by virtue of its very size, becomes political; ideology, rather than practical needs, becomes the determining factor.

[Stamers] Aleksandrs Kirsteins, chairman of the Saeima Foreign Affairs Commission, has expressed the opinion that as Latvia's first priority it is essential to secure real control over our territory, and he has suggested that defense be offered the means to obtain an anti-aircraft defense system: ground-to-air missiles and anti-tank weapons. Do you believe that that is a priority?

[Turlais] Yes. We have discussed these questions with Mr. Kirsteins. You must understand that a country's borders include not only the dry land and the sea, but also air space is included in a courtry's territory. That does not mean that we must shoot everything down to the ground, but we must know, must control who finds their way into this air-space—with or without our permission—and we must implement also security operations. In the about land forces armaments, if there are no anti-tank devices, we cannot talk seriously about our defense forces, the Home Guard. We will not challenge tanks with clubs, sticks and Molotov cocktails alone.

[Stamers] Estonia has decided to buy weapons, this same kind, from Israel. When Latvia decides, will it also be Israel?

[Turlais] That's not of primary importance. The question is a different one: "Why is Latvia do nothing?" We both started at the same time, but now the Estonians have both anti-tank and anti-aircraft systems and armored transport. The Estonian army has the technology; they have mobilized battalions that are able to function. The Lithuanians are also armed; they have ships, airplanes with missiles. They are capable of doing something. Why are we implementing almost nothing? Why have there been no final decisions on my initiatives to manufacture cartridges, to purchase weapons?

[Stamers] Do you no the answer to this question?

[Turlais] I think that everyone knows how many shrill politicians we have who are able to philosophize and talk about anything, but really do nothing, only create a situation in which the government does not take practical steps. That is to an extent the weakness of the government, that everything is done looking backwards: What will be the reaction? Who will criticize us? But the country's security interests cannot be based only on popularity. The election campaign must be forgotten. We must remember that now there is a government and it must take responsibilty. It can only be taken by doing. To do nothing would be irresponsible.

[Stamers] In your opinion are the chief culprits the indecisive ministers who prepare the budget?

[Turlais] Without a doubt! No one else has state authority to supply the army, to purchase weapons. We could go down a different path, trying to reach an agreement with "Pardaugava," to find out if that concern needs an army. If the government decides to attach the army to some firm, then this firm could be given the authority to buy weapons, to supply the army. Only one must ask whether the army would defend the state's interests in such a case?

[Stamers] Let's discuss the defense forces themselves. Everybody remembers that there was a review carried out to clarify their readiness for battle. What has been done since that time to decrease the length of time necessary for the army to be ready for battle after a declaration of emergency or war?

[Turlais] I do not know who decided that the length of time was too long and who wants to set the criteria. To review battle readiness one must know at least the basics of what that means. If battle readiness is evaluated based on how quickly and and in what direction a soldier runs when someone whistles, then the saying comes to mind: "A running officer in peacetime provokes laughter, but in wartime he provokes panic."

[Stamers] So then, what are the criteria for battle readiness?

[Turlais] First of all, the extent to which the army's material-technical needs are ensured, to execute its assignments. Secondly, the human factor, or how high is the level of training for any soldier, from army commander to infantryman; how well do they understand their assignments, how prepared are they to carry them out. Thirdly, the effectiveness of the leadership system. There three factors also establish battle readiness. If one of them is zero or at only a low level, then the level of battle readiness, regardless of how high the other indicators are, will not exceed the level of the lowest factor. Therefore, if the army is not armed, then the rest of the conditions for battle readiness will not save them. And similarly, if there is no leadership, then an armed army also cannot do anything.

To perceive battle readiness in such an illiterate way as was done is shameful and unseemly. It does not reflect on the level of the army, but rather on the level of the Saeima commission, to examine in such a way and not to draw any conclusions regarding what the legislators must do to change the situation.

[Stamers] Do you assert that neither the Saeima, nor the government is taking into account that battle readiness must be resolved with a complex approach?

[Turlais] I think that they are practically not working in that way.

[Stamers] A question related to the 10 Jaunuary [1994] incident. The proposed national security policy, which was developed by the defense ministry, stated that one possible security threat to Latvia is the conflicting lines of authority of the Latvian armed services. As was exemplified by the aforementioned incident, the fact that the municipal police were given an order by a municipal leader could have led to a military conflict. What would you suggest and what is being done to change the situation?

[Turlais] Currently, according to U.N. data, it seems that there are 186 countries in the world and Latvia, I think, is the only country in which the armed forces are not led by the defense ministry, the government. There are no alternative solutions: All armed forces must be under the control of the defense ministry. Then at least there will be a specific responsible official. If a conflict arises, then the defense minister alone will be able to resolve the problem, that would be his responsibility. But right now, for example, to disentangle a conflict, first, one must find the

Home Guard, persuade their chief that they have not acted properly and then the chief tries to recall or influence the Home Guards. Or also one must seek out the municipal police chief and try to persuade him that the municipality alone does not make policy, but that the government, too, has a word. After that there appears a third power; the municipality chairman, who has established his own guards and armed them himself.

[Stamers] But in accordance with the Constitution the President is formally the commander-in-chief of the armed forces.

[Turlais] It is up to him, no doubt, to achieve that in reality, as well as formally.

[Stamers] Your ministry is developing the state defense policy. When will deputies and the press be able to see it?

[Turlais] The mass media also does everything possible to disinform people and to preclude that to which we aspire. We have rejected the former Soviet armed forces and security model. We have turned toward Western Europe, to the democratic states model, but our consciousness is still hobbling along on both legs; we think like Communists. You, speaking to me as the commander of the army, are always asking me, "What is the defense ministry doing?" I do not know! The defense ministry is a government institution, which is above the defense forces as civilian political control. It is concerned with planning defense policy, with planning and implementing budgets, with control of the army. The army is not a component part of the ministry. It is time to forget the Soviet model! We have only the Home Guard under the "Marshall principle," in which there is nothing above the "Marshall." That is not right. Above all military forces must be civilian political control. The armed forces themselves may not establish policy, influence government decrees and dictate conditions

[Stamers] Good. I will give the previous question to Minister Pavlovskis.

[Turlais] Of course, defense policy interests me, too. And as a professional I want to say that it should not be exaggerated with an ominous analysis. I say, if we do not have that, then we can do almost nothing. In the world everything changes; both our domestic and our foreign policies are dynamic. What would happen to ominous analyses? In the time it takes to draft them, print them, while it goes through the bureaucratic apparatus and comes to examination to adopt it a month has gone by and the situation is completely different. In place of that we must try to look at the future strategically.

There must be people responsible for the country's security: the Prime Minister and his cabinet, the Saeima, which must pass laws so that the government, the Prime Minister and the armed forces can operate. But it cannot be that each deputy dictates to me to do what he views as the best. Deputies have the right to use their votes to develop laws, but not to dictate a stance or their fancies. I would like to find another among the 186 countries in which a deputy arrived at headquarters and sounded an alarm.

## Danish Firms Assess Production Move to Riga 94EN0218Z Copenhagen BERLINGSKE TIDENDE in Danish 4 Feb 94 p 11 10

[Article by Lisbet Lambert and Lars Halskov Ritzau: "The Move to Riga"]

[Text] Two years ago, three Danish firms acquired 56 percent of the shares in the Latvian firm of Saiva, Inc., in Sloka south of Riga. And at machines from the Danish clothing manufacturing firm of Nybo Jensen, Inc., in Viborg, 80 Latvian seamstresses now work for a monthly wage that no Danish seamstress can compete with.

There are Danish machines, chairs, and lamps set up in the room. And it is work clothing for Danish workers at Danish companies that is being manufactured in the sewing room.

But it is the pale Latvian winter sun shining in through the big window panes. And 26-year-old Laila Serritslev, who monitors the quality of the ready-made clothing, does not get far if she tries to speak Danish to the seamstresses seated at the machines.

The conversation, though, proceeds briskly in the sewing room. But it is Latvian and Russian chatter flying across the room.

The seamstresses' flower-patterned smocks stand in sharp contrast to the bundles of white fabric that, stitch by stitch and machine by machine, end up as finished smocks for Danish hospitals.

The machines come from the Danish clothing manufacturing firm of Nybo Jensen, Inc., in Viborg. It took just one weekend to move them to the Latvian town of Sloka, 25 km south of Riga.

Friday, 2 July 1993 was the last day of work for 44 Danish seamstresses at the plant in Viborg. The entire sewing operation was shut down. The Monday [5 July] after that, 80 Latvian seamstresses were sewing work clothing on the same machines for the firm of Saiva, Inc., in Sloka.

Currently, Nybo Jensen produces only 300 pieces of clothing per day in Denmark, and that is done by a subcontractor. There are still about 35 employees working for the company in Viborg, but they are only involved in administration and the design, cutting, and packing of clothing.

Danish seamstresses earning a monthly salary of between 12,000 and 15,000 kroner cannot compete with the Latvian seamstresses at Saiva, who earn between 240 and 1,200 kroner—all dependent on how quickly they can get the clothing through the sewing machines.

Even if the wages are low, the Latvian seamstresses are happy just to have work. In just two years, the number of jobs in the Latvian textile and clothing manufacturing industry has been more than cut in half. In 1991 about 56,000 people worked in the industry. Today that number is down to 26,000.

And even those seamstresses who still have jobs at one of the state enterprises do not automatically receive their wages. Many of them must now see to it themselves that they get their salary because the plants can no longer sell their goods to the former Soviet Union.

Formerly about 90 percent of Latvia's production of textiles and clothing went to the old empire. But that is now over. Business partners in the new SNG [Commonwealth of Independent States] countries no longer buy goods from Latvian businesses.

#### With Hat in Hand

So many seamstresses stand in the marketplace behind the train station in Riga each holding the clothes she has made. Even if the winter weather is cold, they stand for many hours and display a sweater or a pair of stockings. To get a monthly wage, the seamstresses must go to the marketplace themselves to sell the clothing they have produced at the state factories.

That is why seamstresses stand hat in hand in front of textile and clothing manufacturing firms that have foreign capital. Because with them they are certain of getting a wage, even if that wage is not particularly high.

Many seamstresses have also been let go at Saiva in Sloka, where the Danish Nybo Jensen clothing factory moved its manufacturing. During the Soviet period, there were 3,000 employees at the firm, but today there are only 300 employees working under the new ownership. Factory owner Peder Nybo Jensen does not own shares in the plant.

The three Danish firms of Spectre, Godske, and Power acquired 56 percent of the shares when the state enterprise was privatized almost two years ago. Latvian partners have the remainder of the shares. Today the plant is entirely dependent on orders from the west. But the firm's Latvian director is still the same, however.

"I usually call myself the salaries director," said the director, Pavel K. Kukel.

"The Danish partners are responsible for the orders, the technology, the raw goods, sales, and marketing. From our side, all we contribute is cheap wages and the organization of the labor. Those are the principles. They are based on one fact: We have much lower wages than in the west," he said.

The only Dane who moved with Nybo Jensen's machines in the summer of 1993 was Laila Serritslev. She had been employed as a manufacturing assistant in Viborg but was offered the position in Latvia.

Here she sees to it that the quality of the Danish clothes is maintained. She is supposed to instruct the Latvian seam-stresses in the use of the modern machines and is responsible for maintaining the contact with Nybo Jensen in Denmark.

Her base is a small office with a telephone and a fax machine. And squeezed in between the frequent visits to the production room, she tries to tie everything together in the office.

#### Slower Pace

She discusses the latest patterns with designers and builders in Denmark and instructs the Latvian seam-stresses. They often look in with questions for the Danish instructors who follow along with the cut out clothing from Denmark.

The instruction proceeds with the help of sign language and individual words in German or English. If things get more complicated, the plant's interpreter interprets into Latvian or Russian.

Laila Serritslev has not had problems instructing her experienced Latvian seamstresses. It has taken more time to deal with those without experience, but things are not more different here than in Denmark, she says.

"The Latvian seamstresses are very quality conscious. The clothing here at the plant is of exactly the same quality as the clothing manufactured back home," she stated.

The only difference is the pace. The Latvian seamstresses are just not used to the pace that is customary in Danish clothing manufacturing plants.

Laila Serritslev is responsible for seeing to it that orders are ready on time. And when the seamstresses are not that quick—then they have to work for longer periods. The finished clothing leaves for Denmark by truck each Thursday. That means that some of the seamstresses have very long work days. From 0600 until 1800 hours is not uncommon. But in the future it will no longer be Laila Serritslev's job to see to it that the clothes are ready on time. After working in Sloka for six months, she has found a new job. Back home in Denmark.

But the Danish manufacturing will continue at Saiva.

#### Cheap Labor

There are very big differences in the hourly wage in the textile industries in East and West Europe. Indicated on the map are the average hourly wages for a textile worker including bonuses but excluding social benefits. Social benefit costs vary greatly from country to country but if they are included, the costs are practically the same in West Europe. The figures here are given in Danish kroner.

Germany	60 74 kroner
Netherlands	59.70 kroner
Denmark	81.32 kroner
Sweden	66.99 kroner
Estonia	2.31 kroner
Latvia	1.50 kroner
Lithuania	1.80 kroner
Belarus	1.30 kroner
Poland	8.00 kroner
Slovakia	3.70 kroner
Czech Republic	3.70 kroner

## LITHUANIA

President Proposes Law on Annual Declaration of Income, Property

944K0738A Moscow IZVESTIYA in Russian 22 Feb 94 p 2

[Article by Nikolay Lashkevich, IZVESTIYA: "Lithuanians Will Calculate Incomes and Declare Them for the State"]

[Text] Possibly, as early as next year, all of the residents of Lithuania will begin to declare their property and incomes. This is the aim of a draft law that Lithuanian President Algirdas Brazauskas has submitted for consideration to the Lithuanian Seimas.

Thus, in Lithuania, perhaps, for the first time in the legislative practice of former republics of the USSR, it is planned to fundamentally change the system of taxation, which will be the most radical decision in the reformation of the socioeconomic life of the republic.

According to the presidential draft, all adult residents of the republic will be obliged to declare property acquired and incomes received in the course of a calendar year by submitting special declarations to state tax inspectorates according to place of residence. It will be necessary to submit them there by I March of the next year for the past year. So that each resident of Lithuania, whether he wants to or not, will have to become a domestic bookkeeper who scrupulously gathers all records, forms, checks, tickets, receipts, and other payment account documents that are of use to him in filling out the declaration. If it is filled out incorrectly then, according to the draft law, the tax inspectorate first reports this to the taxpayer and, in the event of insufficient payment of taxes, he is obliged to pay them now with an added fine. Its sum will increase in that progression in which the taxpayer tries to deceive his own state. Moreover, for evading submission of a declaration, and for indicating incorrect data, he can end up in court.

Members of the ruling parliamentary faction and the Democratic Labor Party decided to work to support the presidential draft law—they announced their intentions to declare their incomes that they received this year. President A. Brazauskas earlier also declared his readiness to fill out such a declaration and to publish his incomes. The president and his team thereby let it be known that the presidential veto of the law on mandatory declaration of incomes and property by state employees, previously adopted by the Seimas, is explained not by a desire to please corrupt bureaucrats, of which the rightist opposition accused the president, but by an urgent need to defend the constitutional rights of citizens. A. Brazauskas decided: If incomes are to be declared, then this is for all residents, and not for an individual category of workers.

This kind of reform of the taxation system will undoubtedly require large resources and a radical breaking of the consciousness of the people.

The foundation for a Lithuanian-style tax revolution has been laid. Lithuania has already adopted the law on the

declaration of incomes of residents and on expensive property that was acquired or is being acquired. The Seimas will soon consider the draft of a new law about a single income tax, according to which it is proposed to summarize all incomes and to give the state 35 percent of the aggregate. If such a document is adopted, then it will not be necessary to rack one's brain over the compilation of a declaration—in fact, a single tax standard will be in operation. In addition, it is planned to introduce 16 types of taxes in Lithuania: on real estate, land, natural resources, patents, notary services, and so on. It is planned to complete the Lithuanian tax system as early as 1996.

## **REGIONAL AFFAIRS**

EU Fund for Small Projects in Baltics Depleted 94EN0214A Copenhagen BERLINGSKE TIDENDE in Danish 26 Jan 94 p II 5

[Article by Lise Tajik: "EU Fund Closed to Small Projects in the Baltics"]

[Text] The EU [European Union] fund for small and minor business projects in the Baltics has been depleted. The money has been spent on the creation of advisory centers, and new funds will not be appropriated until the middle of 1995.

There will be no new initiatives financed by the EU in the three Baltic countries for a year and a half.

The EU fund in support of small and medium-sized enterprises (SME) in the Baltics has been completely depleted, and no more funds from this particular section of the PHARE [Economic Reconstruction Aid for Poland and Hungary] program will become available until the middle of 1995.

The money has been swallowed up in the establishment of business advisory centers in the three Baltic countries, and there is not a red cent left for more down-to-earth programs.

#### **Procedure Results in Problems**

The Council of Artisans welcomes the idea of advisory centers, but finds it alarming that the EU fund for SME has been depleted.

However, it is not only the missing millions that the Council finds disturbing. Another problem is PHARE's very bureaucratic appropriation process.

Only projects that the receiving countries themselves apply for are given support. This benefits only government interests in the Baltics to the detriment of private projects, among others those enterprise-to-enterprise programs, on which the future business structure in the three Baltic countries has been based.

Another difficulty is the fact that, after revising the Danish support arrangements for East Europe, one stresses the importance of linking these to international sources of investment.

In this way, small and medium-sized enterprises have been let go because they do not have a chance in the world of competing with the big ones in getting their share of international funds.

### Large Grant to Poland

The PHARE program has set aside ECU230 million between 1990 and 1992 for development of small and medium-sized enterprises in East and Central Europe. Of this, only ECU9 million have gone to the three Baltic countries—corresponding to 3.75 percent of the total amount—while about 40 percent—ECU9 million has been spent on SME projects in Poland.

The total PHARE program for East and Central Europe was granted ECU1 billion (almost 8 billion kroner) in 1993, and a similar amount has been set aside for 1994. The PHARE appropriations, consisting of a combination of professional aid and financial support, is spent on:

- Changeover and privatization of government businesses.
- -Support for the private sector, especially small busi-

Modernizing of financial systems.

-Development of a social safety net.

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